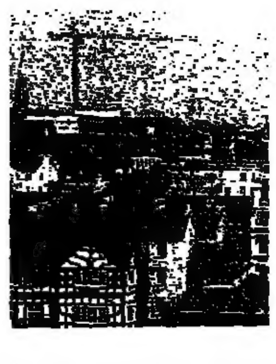
Carpets *Recycling the fibres underfoot* Page 14

Obituary *Francis Bacon* Page 17

Foreign affairs *The face of Islam in Sudan* Page 19

Mexico *Guadalajara blast - a blow to Pemex* Page 8

Survey *The Isle of Man* Pages 33-35



FINANCIAL TIMES

Wednesday April 29 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Brussels dissent holds up release of car price study

European Community competition commissioner Sir Leon Brittan postponed publication of his long-awaited study of car prices for at least a week under pressure from his fellow commissioners including EC president Jacques Delors.

Publication of a parallel study of the EC motor industry by industry commissioner Martin Bangemann will almost certainly go ahead. Sir Leon and Bangemann differ over the reasons for differing car prices. Page 20; Brussels split over car industry training, Page 3

Japan seeks CSCE link: Formal relations between Japan and the Conference on Security and Co-operation in Europe will be proposed by Japanese prime minister Kiichi Miyazawa in talks in Paris and Bonn this week. Page 20

Kabul clashes: A new Afghan government drawn from the leading Islamic guerrilla groups took power in Kabul as heavy fighting continued in parts of the city. Page 4

Composer Olivier Messiaen dies at 83:

French composer Olivier Messiaen (left) whose sometimes perplexing music drew on sources ranging from Balinese dance to bird song, died in a Paris hospital. He was 83. He wrote with equal ease for organ, choir, and chamber ensembles. Obituary, Page 15

Francis Bacon, the painter, died of a heart attack in a Madrid hospital after being taken ill on holiday. He was 82. Obituary, Page 15

Perky Perot: Millionaire businessman Ross Perot is virtually level with President George Bush in California which votes on June 2, with Bill Clinton a close third, according to polls ahead of the latest US presidential primaries. Page 8

General Motors, US carmaker, returned to modest profit after six quarters of losses, thanks to improved results in its core north American vehicle operations. Page 21

Yeltsin stands firm: President Boris Yeltsin, in an attempt to ease domestic fears about Russian membership of the International Monetary Fund, said he would not allow the west to dictate conditions. Page 8

J. Bibby & Sons, industrial and agricultural conglomerate, launched a hostile $132.6m bid for Finanzauto, Spain's only authorised Caterpillar dealer. Page 21

Bethlehem Steel, second-largest US steelmaker, blamed weak demand for increased first-quarter losses. Page 25

Hoechst, German chemical company, announced a 26 per cent decline in pre-tax profits to DM605m ($367m) in the first quarter on weak demand. Page 25

Opels for Japan: Japanese car distributor Yanase is expected to announce an agreement to import cars from General Motors' European subsidiary Opel. Page 26

Sour summit: Developing countries preparing for the Earth Summit in Brazil in June expressed "serious concern" at lack of progress in negotiations with the west over financing. Page 4

ETA capture: Sabino Euba Cenarruzabeita, suspected chief financier of the Basque separatist organisation ETA was held at Charles de Gaulle airport, Paris.

Toyo Shinkin Bank, Osaka credit co-operative at the centre of a multi-billion-dollar loan fraud scheme last summer, is to be split up. Page 24

Tenneco, US conglomerate in the throes of a restructuring, announced a $32m improvement in first-quarter net income on improved operating performances by all divisions. Page 21

Bank for CIS: Turkey is considering setting up a development bank to channel investment to southern members of the Commonwealth of Independent States.

Spanish strike call: Spain's biggest unions called a half-day general strike for May 28 and a full-day stoppage in October to protest against government plans to cut unemployment benefits.

Pressure on premier: New South Wales premier Nick Greiner will face calls to quit over the appointment of a former Liberal minister to a senior planning job in the state's environmental protection agency. Page 5

Stealth crash: The only flyable test model of the US Air Force's new F-22 Stealth fighter was badly damaged by fire after a crash landing at Edwards Air Force Base, California.

The Markets

STOCK INDICES		
FT-SE 100:	2,651.9	(−7.2)
Yield	4.58	
FT-SE Eurotrack 100	1,169.61	(+0.02)
FT-A All Share	1,279.58	(−0.2%)
FT-A World Index	137.6	(+0.1%)
Nikkei	17,527.46	(+76.86)
New York:		
Dow Jones Ind Ave	3,357.92	(+3.36)
S&P Composite	409.11	(+0.68)
US RATES		
Federal Funds:	3¾%	(3½%)
3-mo Treas Bills: Yld	3.767%	(3.796%)
Long Bond	96⅝	(96¾)
Yield	8.047%	(8.106%)
LONDON MONEY		
3-mo Interbank	10⅛%	(10½%)
Liffe long gilt future:	Jun 96%	(Jun 96⅞)
NORTH SEA OIL (Argus)		
Brent 15-day (June)	$19.075	(18.575)
Gold		
New York Comex	$337.2	(337.1)
London	$337.9	(335.9)

STERLING		
New York:		
$	1.7785	(1.7765)
London:		
$	1.775	(1.7795)
DM	2.9375	(same)
FFr	9.91	(9.9075)
SFr	2.6925	(2.7225)
Y	238.5	(236.75)
£ index	92.4	(92.6)
DOLLAR		
New York:		
DM	1.65385	(1.65465)
FFr	5.5765	(5.578)
SFr	1.516	(1.5235)
Y	133.15	(133.015)
London:		
DM	1.6565	(1.651)
FFr	5.5825	(5.5075)
SFr	1.517	(1.5295)
Y	133.25	(133.1)
$ index	64.6	(same)
Tokyo close: Y 133.07		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr6.00	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Schwaetzer rejected as foreign minister by her own party in favour of Kinkel

Bonn split over Genscher replacement

By Quentin Peel in Bonn

GERMANY'S ruling coalition was thrown into disarray last night, when the nomination of Mrs Irmgard Schwaetzer as foreign minister was rejected by her own party, the minority Free Democrats (FDP).

In a shock vote last night in the party's parliamentary group, Mrs Schwaetzer was defeated by Mr Klaus Kinkel, the 55-year-old justice minister, who now becomes the man supposed to succeed Mr Hans-Dietrich Genscher in the key post.

There was no immediate reaction from Chancellor Helmut Kohl and the other members of the coalition, but the confusion seems certain to damage the international standing of the government.

The nomination of Mrs Schwaetzer, currently construction minister and formerly a deputy foreign minister, was seen as favoured by Mr Kohl.

At the same time there was *public disagreement between the* chancellor's Christian Democratic Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU), over the appointment of a deputy chancellor to replace Mr Genscher when he quits.

The CSU wants the post for its own leader, Mr Theo Waigel, the finance minister, but Mr. Kohl insists that it belongs to the minority FDP in spite of Mr Genscher's resignation.

The turmoil in the coalition coincides with an intensification of the public sector strike launched at the weekend in an increasingly bitter campaign for higher wages. *Public transport* throughout the industrial Ruhr region was brought to a standstill, causing motorway jams, and refuse disposal workers throughout the country will be called out today.

After a day of confusion in Bonn it seemed virtually certain that FDP back-benchers would get their way and Mr Kinkel would become foreign minister.

A FDP meeting, which argued for five stormy hours before voting for Mr Kinkel, *also decided* that Mr Jürgen Möllemann, the economics minister, should be its candidate for deputy chancellor. Mrs Sabine Leutheusser-Schnarrenberger, a 40-year-old lawyer from Bavaria, was nominated as new *justice minister.*

The revolt in the FDP was led by the back-benchers, furious with their own party executive for nominating Mrs Schwaetzer without consulting them.

They demanded a meeting with *the executive yesterday afternoon,* at which Mr Kinkel declared himself willing to serve as foreign minister. A vote in the group last night gave him 63 votes to only 25 for Mrs Schwaetzer.

Mr Kinkel, *a lawyer, became* head of West Germany's BND intelligence service in January 1979 until October 1982 when he became a state secretary in the Ministry of Justice. During his years with the intelligence service, *he worked hand-in-hand* with Mr Genscher at the Foreign Ministry.

Married and with three daughters and a son, he studied law at the universities of Tübingen, Bonn and Cologne.

The political manoeuvring in Bonn last night overshadowed the growing chaos caused by the public sector strike. While the central government and state employers urged the unions to return to the negotiating table, *union leaders* refused to do so without a new and improved offer to consider.

The ÖTV public sector union, with 900,000 members, is demanding a 9.5 per cent pay rise. The government has offered 4.8 per cent, and has rejected an arbitration award of 5.4 per cent as a compromise.

Mr Kohl is adamant that in the present budgetary circumstances, any settlement must be below 5 per cent.

The union promised yesterday that refuse disposal workers and hospital administrators would join the strike today.

Employers hold firm, Page 20
Maastricht loses appeal, Page 2

Lloyds Bank launches £3.6bn bid for Midland

By Robert Peston in London and Simon Holberton in Hong Kong

LLOYDS BANK yesterday urged the British government to carry out a thorough review of competition in the UK banking industry when announcing that it was *planning to make a £3.6bn* ($6.4bn) offer to acquire Midland Bank.

It said that if it succeeds in buying Midland it will reduce *staff numbers at the combined* banks by 20,000 over four years and close 1,000 branches. Annual overheads of the joined operations would be cut by *£700m.*

However, Mr Brian Pitman, Lloyds' chief executive, *insisted* there would be no compulsory redundancies and that the exe would fall on Lloyds' operations as well as on Midland's. He said *Lloyds* would preserve "the best of each bank".

At 7.30 yesterday morning, after four months of secret preparations, Lloyds said it would offer *one new Lloyds share and 30p in* cash to acquire each Midland share. However, it set an unusual precondition on its bid.

The offer will not be put to *Midland shareholders,* Lloyds said, if the takeover proposal is referred for investigation by the Monopolies and Mergers Commission, the UK competition authority, unless the rival bid for Midland by Hongkong and Shanghai Banking Corporation is also investigated by the MMC.

Mr Michael Heseltine, the new president of the Board of Trade, met Department of Trade and Industry *officials* immediately after Lloyds' announcement to discuss the bank's bid plans. Officials at the Office of Fair Trading said the OFT would probably *advise* Mr Heseltine to refer the Lloyds bid to the MMC.

Prior to Lloyds' intervention, analysts believed he would not refer the Hongkong Bank bid on the basis of the Government's competition policy of the past decade. However, Mr Brian Pitman, Lloyds' chairman, said that *Midland's customers would* benefit more from a Lloyds takeover than from one by Hongkong Bank so it was in "the national interest" that both bids be *referred to the MMC.*

Mr Heseltine will also have to grapple with the issue of whether the Hongkong bid falls properly into his jurisdiction or whether it *should be vetted exclusively by* the European Community competition authority in Brussels. DTI officials said they were still at the stage of accumulating information on this question.

If Lloyds is successful in acquiring *Midland* – and *it* admitted that it faces a stiff challenge – its position as the UK's most profitable bank would be reinforced. It would also become *the UK's biggest bank in terms of* branch numbers, employing 125,500 people. Measured by gross assets it would be the UK's third biggest and would rank 15th in the world.

Midland, whose directors met for an emergency board meeting between 5.30pm and 8pm, made no formal response to Lloyds' proposal. However *it is expected* to maintain its backing for Hongkong Bank's £3.3bn offer when *it* issues a statement today.

Sir Jeremy Morse insisted that his bank was "not making a hostile bid". However, bankers said yesterday that *Sir Jeremy* was "playing with words".

William Purves, chairman of Hongkong Bank, immediately went on to the offensive against *Lloyds. He said a Lloyds takeover* of Midland would reduce competition and would "mean the destruction of Midland".

Some big Midland shareholders, which include M&G, owner of just under 6 per cent of the bank's shares, Phillips & Drew Fund Managers, with about 4 per *cent of the stock, the Prudential* Corporation and Mercury Asset Management, welcomed the offer from Lloyds.

If Lloyds succeeds, the "Mid*land" name would be abandoned* Mr Pitman said, but other brand names used by Midland's subsidiaries, such as "Thomas Cook" and "Samuel Montagu", would be preserved.

Midland's share price rose from 381p to 394p, which compares with the 447p a share value of Lloyds proposed terms. Lloyds fell from 427p to 417p.

Dark horse joins race, Page 18
Editorial comment, Page 18
Lex, Page 20
Background, Page 22

Tony Andrews

Sir Jeremy Morse, Lloyds chairman: looking for a level playing field

Big customers welcome rationalisation

By Financial Times Reporters

LARGE British companies welcomed the Lloyds bid for Midland yesterday, but smaller businesses and the banking trade union expressed grave worries. Members of Parliament called for a monopolies investigation of the bid.

The chief executive of a large textile company said: "This should have happened years ago. Any reduction in competition will not be damaging."

Mr Gerald Corbett, *finance* director of Redland, the large *building materials group said:* "In terms of clearing bank services, there is little between the major banks. I cannot see that it would make any difference to us."

Mr David Chater, finance director of Radyot, a maker of components for commercial vehicles, said: "The engineering industry has seen a vast amount of rationalisation during the past 10 years and this sort of move is long overdue in *the banking sector.* It's a good thing if it makes banks leaner and fitter."

Smaller companies were more concerned about the reduction of choice if there were only three big banks instead of four.

Mr Jonathan Fowler, chairman *of Chinecrest Archives, a £1m* ($1.77m)-turnover company which stores documents for the banks

Continued on Page 20

US confidence index up as economy shows 2% growth

By Michael Prowse in Washington

REPORTS THAT the US economy grew at an annual rate of 2 per cent in the first quarter of this year, the fastest pace since the election of President George Bush early in 1989, boosted hopes yesterday that the country was firmly on a path to recovery.

Spirits were also lifted by a *sharp 8 point rise to 64.8 in* a closely followed index of consumer confidence.

Optimism was tempered by news of a 15 per cent drop in new home sales last month, the sharpest monthly fall for a decade. Economists also cautioned that the sectors leading recovery – personal consumption and residential investment – were likely *to lose momentum* in coming months.

Mr Bush, who was anticipating a convincing victory in yesterday's presidential election Republican primary in Pennsylvania, hailed the figures as evidence of recovery. He acknowledged that some sectors were still hurting but added: "I think most people would say 2 per cent growth is not recessionary."

Mr David Mullins, *vice-chairman* of the US Federal Reserve, said the economy was on course for growth of 3 per cent later this year. This compares with annual rates of growth of 5-6 per cent in the early stages of most previous US recoveries.

Mr Michael Boskin, the chief *White House economist,* welcomed the news but said: "We won't be satisfied with growth rates until the economy achieves the momentum required to create a steady decline in unemployment."

Unemployment is 7.3 per cent, the highest level for six years.

The figures *for gross domestic* product represented a rebound from *last year's fourth* quarter, when annual growth slumped to 0.4 per cent, prompting fears of a "double dip" recession. The economy has now grown slowly for four successive quarters.

Growth was fuelled mainly by sharp increases in personal consumption and residential investment, both of which showed signs of flagging towards the end of the first quarter. The main off*setting factor was a sharp fall in* business inventories.

Most analysts expect growth of 2-3 per cent at an annual rate in the present quarter, led by a rebound in production as inventories are rebuilt.

Analysts *noted,* however, that in a healthy recovery, the con*sumer confidence index would* be expected to rise well above 100.

Sales of new single-family homes fell 14.8 per cent in March to a seasonally adjusted annual rate of 513,000. Figures for February were also revised down. The falls wiped out earlier gains leaving sales only 3 per cent higher *than in last March.*

Economists were surprised by the plunge in home sales but said it probably exaggerated the underlying deterioration in the housing market. Figures for housing starts and buyer interest in properties were relatively encouraging.

Lex, Page 20

CONTENTS

News	**Features**	FT Law Report 14	FT World Actuaries 46	Wall Street 43-46
European News 2,3	Leader Page 18	**Companies**	Foreign Exchanges 42	Bourses 43,46
International News 8,9	Letters 19	UK 28,29	Gold Markets 30	
American News 8	Management 16	UK: Lloyds/Midland 22	Equity options 27	
World Trade News 6	Observer 19	Intl. Cap Mkts 26,27	Managed Funds 38-41	
UK News 9,12	People 18	Intl. Companies 23-26	Money Markets 42	**Surveys**
Obituaries 15	Environment 14	**Markets**	Recent Issues 27	Isle of Man 33-35
Weather 20	Arts 17	Commodities 30	Share Information 36,37	
Lex 20	Crossword 42	FT Actuaries 31	London SE 31	

NEWS: EUROPE

Kravchuk wants western guarantees on missiles

By Chrystia Freeland in Kiev and John Lloyd in Moscow

UKRAINIAN President Leonid Kravchuk, facing what he sees as an increasingly hostile Russia, said yesterday he was seeking security guarantees from the west in exchange for dismantling Ukraine's strategic missiles.

Mr Kravchuk, who visits the US next week, said Ukraine would link guarantees to 46 inter-continental ballistic missiles in Ukraine not covered by last summer's Start treaty between the US and the former Soviet Union.

"This question has become particularly acute because some of our neighbours are making territorial claims on us, especially our big neighbour, Russia," Mr Kravchuk said.

Meanwhile, the president of Kazakhkstan, Mr Nursultan Nazarbayev, said his country must be regarded as a nuclear state, if only "temporarily." His statement advances the much-feared possibility that all four nuclear republics – Belarus, Russia, Ukraine and Kazakhstan – would continue to hold them indefinitely.

Mr Nazarbayev said he wanted a "strategic alliance" with guarantees from the US against nuclear attack from Russia, China or the US itself. In return, Kazakhstan would show "flexibility" on signing the non-proliferation treaty.

Mr Kravchuk said Ukraine's pledge last autumn to become nuclear-free "set a good example for the world" but "we are also weakening ourselves". He said Ukraine would also require financial compensation to defray the cost of dismantling warheads.

Since Mr Kravchuk's announcement last month of a temporary freeze on the shipment of Ukraine's 1,000 tactical weapons to Russia, their fate has been clouded by contradictory statements from Ukraine and Russia.

Mr Kravchuk yesterday held out the hope that the troubled Start Treaty, which covers 130 intercontinental missiles in Ukraine, would soon be ratified. He said the four nuclear republics would soon sign a protocol with the US clearing the way for ratification by all four.

Mr Nazarbayev said he wanted his republic to sign the Start treaty as a separate state.

So far Russia has insisted that it alone would ratify the treaty, as successor state to the Soviet Union.

In a bitter comment on deteriorating relations between the republics, Mr Kravchuk said the US had adopted a more favourable attitude to Ukraine, and that it was easier for him to reach an agreement US Secretary of State James Baker than with the leaders of the republics.

The tension between Ukraine and the Commonwealth of Independent States dominated by Russia was emphasised yesterday when Colonel General Konstantin Morozov, the Ukrainian minister of defence, sent a telegram to Marshal Yevgeni Shaposhnikov, the Commonwealth commander in chief, asking that all CIS officers serving on Ukrainian territory who have not taken an oath of allegiance to Ukraine be suspended and transferred to their native republics. Gen Morozov also asked that Ukrainian officers serving outside the republic, thought to account for as much as 40 per cent of the officer corps, be returned immediately to Ukraine.

UN 'ready to play role in Bosnia'

By Laura Silber in Belgrade and Patrick Blum in Lisbon

THE UNITED NATIONS yesterday cautiously agreed to extend its involvement in the Balkans to Bosnia-Herzegovina, reflecting the growing threat to local and European security posed by the former Yugoslav republic.

"The United Nations is ready to play a role in Bosnia on condition that it has the resources," said Mr Boutros Boutros-Ghali, the secretary general, after talks in Paris with President François Mitterrand.

His words appeared to mean that deployment of a second large force like that in Croatia was unlikely unless other countries agreed on funding in advance.

Support for a UN peacekeeping force in Bosnia was expressed by all parties to the conflict in the independent republic.

Bosnia's foreign minister yesterday strongly urged the despatch of peacekeeping troops to Bosnia as fighting erupted in several towns.

Mr Haris Siladjzic, who is temporarily heading the Moslem delegation to the EC-sponsored peace talks in Lisbon, said financial considerations should not be allowed to delay the sending of UN troops.

Support for the idea also came from Mr Radovan Karadzic, the leader of Bosnia's Serb community, and from Mr Mate Boban, deputy leader of the Croat minority.

Bosnian peace talks scheduled to get under way in Lisbon yesterday were delayed by the late arrival of the republic's president, Mr Alija Izetbegovic.

The first plenary session is now due to take place today.

Preliminary contacts to end the war began in Lisbon on Monday between Mr Jose Cutileiro, the EC special representative, and Moslem, Croatian, and Serbian delegates.

No details have been given about the agenda for the talks which are expected to last several days.

The EC is hoping to persuade the three factions to agree to the establishment of a federal state divided on ethnic lines and in which each community would control its own affairs.

The talks are not expected to focus on technical details related to the EC-backed ceasefire, agreed last week, but more on drawing the map of the new boundaries within the single state.

Sarajevo, the Bosnian capital, came under heavy shelling from Serb irregulars overnight despite the European Community-brokered ceasefire agreement reached on April 23.

Former Soviet borders prove easy target for international gun-runners

FT reporters investigate a story of arms and the Isle of Man

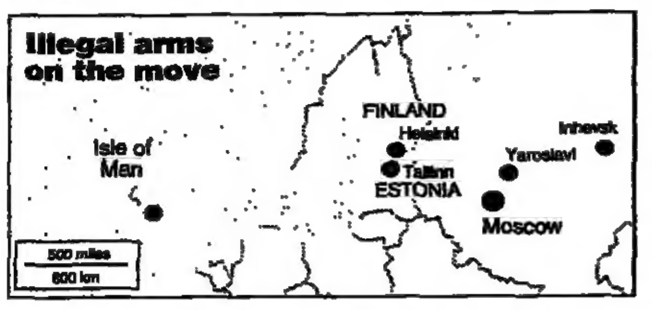
A SMALL company registered in the Isle of Man is at the centre of attempts by arms merchants to use the Baltic republics as conduits for illegal shipments of weapons from the former Soviet Union.

Two consignments containing 40,000 Russian-made small arms with a potential market value of $4m were stopped recently in Estonia and Finland. Both of them, described by arms industry experts as "large orders almost certainly bound for re-export", were addressed to Kennford Enterprises, an Isle of Man-registered non-resident company.

The seizures have fuelled concerns that the break-up of the Soviet Union, with the lack of border controls being exploited both by hard-pressed arms producers and by soldiers selling their weapons, could lead to a flood of illegal arms finding their way to terrorist groups around the world, including the IRA. Customs officials said the guns seized in the Estonian capital, Tallinn, were "probably not the first and not the last".

Estonia appealed to a meeting of Nato defence ministers in Brussels last month for equipment and assistance to control its borders.

Containers loaded with 14,982 Makarov automatic pistols were discovered on February 11 by Estonian customs in the port area of Tallinn. Shipment papers described the contents as 7,200 "sports and training pistols", bound for Kennford Enterprises in Finland. Estonia's state prosecutor is investigating the case.



The guns came from a factory at Izhevsk, about 500 miles east of Moscow, which makes hunting guns and military pistols. The city is the centre of Russia's small-arms industry and a separate factory there makes the renowned Kalashnikov AK-47 rifle.

Within days a second shipment of 25,000 similar pistols were seized by Finnish customs officers in Helsinki. The automatic pistols are standard issue for the armies of the former Warsaw Pact.

Kennford Enterprises was incorporated in the Isle of Man in April, 1991. Its two shareholders and directors are listed as Artur Pukhov, of Tallinn, and his wife Lubov Pukhov, of Helsinki. The Financial Times has established, however, that these are merely forwarding addresses – the inhabitant of the Helsinki address expressed surprise that it was being used for this purpose by Kennford. The Pukhovs, both Russians, operate from Yaroslavl, north-east of Moscow.

The company was set up by International Company Services, a Manx company formation business. Mr Philip Robinson of International Company Services said the request to form Kennford had come from a third party, whom he declined to identify, and not from the Pukhovs.

Speaking from Yaroslavl, Mr Pukhov told the FT the order he had handled was for sports guns but that the identity of the buyer was a "commercial secret". He said that the fact that the sports guns had been replaced by Makarovs was "not my responsibility."

"I have never seen the merchandise and never checked it," Mr Pukhov said through an interpreter.

He said Kennford Enterprises mainly sold oil and rare metals, including scandium which is bought by the pharmaceutical industry.

Draft proposals for regulating the large number of non-resident companies in the Isle of Man are expected to go before the island's parliament next month.

A separate seizure of arms and anti-tank weapons apparently destined for Armenian troops in Nagorno-Karabakh, the disputed Armenian enclave in Azerbaijan, highlighted the problem of Soviet troops based in the Baltic republics selling their weapons.

Under UK law, British companies can obtain Department of Trade licences to import and export small arms of the kind seized in Estonia and Finland. The countries with which trade in these weapons is banned are South Africa, Iraq, Libya, Somalia, Yugoslavia, and Argentina. Britain's Department of Trade said the exports of arms from the former Soviet republics was a "matter for those countries not us".

The UK Defence Ministry confirmed that it had been approached by the Estonians on the small arms issue and said that it was anxious to ensure that future trade in them was properly controlled.

By David White, Jimmy Burns and Neil Buckley in London, Sara Webb in Stockholm and Sue Stuart in Douglas, Isle of Man.

Germans in Munich make a virtue of necessity and adopt a healthier mode of getting to work yesterday as the public sector strike caused widespread disruption to public transport and long traffic jams on motorways

Maastricht pact loses appeal in Germany

By David Marsh in Paris

GERMAN companies are the least enthusiastic in the larger EC countries about the Maastricht treaty for European union, according to an international business opinion survey published yesterday.

The survey also indicates that a surprisingly large proportion – 18 per cent – of German business leaders believe their country will fail to meet the economic conditions for monetary union.

The report, based on 1,483 interviews with company directors in seven EC countries, was carried out by Harris Research for the United Parcel Service distribution company.

The findings back up the impression that German public opinion has cooled markedly on the aim of European union as a result of the country's post-unification difficulties.

Widespread support has also been revealed for setting up a European central bank to run monetary union. More than half of respondents in Belgium, the Netherlands, Italy, France, Britain and Spain said they supported this. Only 35 per cent of Germans thought monetary union a good idea.

French, Italian and Belgian business leaders were the most enthusiastic about the treaty. In Britain, 43 per cent were in favour. In Germany, however, 19 per cent thought it "poor" or "very poor".

The survey provides reassuring confirmation of widely perceived national characteristics. The British and Germans are most in favour of free competition, with the French the least supportive. German companies are most pessimistic about future business prospects, with the French the most optimistic.

The survey reveals widespread self-doubt in individual countries about their chances of fulfilling the Maastricht criteria set for monetary union.

A total of 77 per cent of Italians think their country will not fulfil the eligibility test, as do 56 per cent of Belgians and 29 per cent of British, but only 2 per cent of the French.

Kinkel tailor-made for foreign ministry

By Quentin Peel in Bonn

MR KLAUS KINKEL, German Justice Minister and now nominated in a Bonn palace coup as foreign minister, has had a technocratic career in government almost tailor-made for the job. What he lacks is political experience.

If he orchestrated the coup last night against Mrs Irmgard Schwaetzer, the first choice for foreign minister not only of their own Free Democratic Party (FDP) leadership, but also of Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, the present incumbent, then he is learning fast.

He was selected last night by the parliamentary group of the FDP by 63 votes to 25, instead of Mrs Schwaetzer, thanks to a back-bench revolt against the leadership.

The irony is that Mr Kinkel has been if anything more of a protégé of Mr Genscher for more than 20 years than Mrs Schwaetzer. A soft-spoken Swabian from Metzingen in the south-west state of Baden-Württemberg, he was first spotted by the former FDP leader as a young lawyer in the Interior Ministry in 1970.

He was rapidly promoted by Mr Genscher, then interior minister, to be his personal assistant, and then the head of his personal office. When Mr Genscher transferred to the Foreign Office in 1974, he took Mr Kinkel with him to continue running his office. Then he promoted him to run the ministry's prestigious planning staff.

In 1979 he became head of the BND, the troubled German intelligence service, again with the recommendation and blessing of Mr Genscher. There he is credited with quietly and competently restoring the morale in a service undermined by spy scandals.

In 1982 he came back into mainstream government as state secretary in the Justice Ministry, and only became a fully-fledged politician after the last election in 1990, when he was immediately promoted justice minister.

Yet he had already made his name not merely as a cool crisis manager in the ministry. He also defused the hunger strike by Red Army Faction terrorists in 1989, negotiating a deal with them in prison.

It is only in the past year that he has emerged as a potential leader in the FDP, a party desperately casting round to find a successor to the old generation of Mr Genscher and Mr Otto Lambsdorff.

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NEWS: EUROPE

Brussels split on car industry training plan

By David Gardner and Andrew Hill in Brussels

A PROPOSAL that the European Community pay car companies to retrain workers is causing ructions inside the Commission, which today is set to approve a policy paper on Europe's motor industry.

Commissioners running social and regional programmes are concerned that funds targeted on long-term unemployment and vocational training for the young could be drained away to private companies, if the paper's suggestions are enacted.

Ms Vasso Papandreou, the social affairs commissioner, was yesterday pressing for changes to the Commission paper, which has been prepared by Mr Martin Bangemann, the industry commissioner. But her advisers conceded that it would be impossible to block approval of the document, earlier drafts of which also upset Sir Leon Brittan, the competition commissioner.

Mr Bangemann's suggestions on training policy in the car industry anticipate the Maastricht treaty, which has yet to be ratified, and the policies to improve the competitiveness of European industry in the Commission's new five-year financial programme, on which member states are sharply divided.

Furthermore, some Commission officials are concerned that whatever is decided for the car industry will become a model for EC industrial policy as a whole – and that French car companies such as Renault and Peugeot will be the prime beneficiaries.

Early drafts of the position paper on cars call for a major effort in vocational training and retraining in anticipation of industrial and technological change, to help the European car industry develop "lean production" methods. These efforts would embrace "staff in companies or sectors actually undergoing change who will need to be qualified or requalified in order to adapt to changes in the nature and content of jobs."

Part of the text, drawn up by the industrial directorate with backing from Mr Jacques Delors, Commission president, has been modified to accommodate the liberal camp led by Sir Leon Brittan. But the deletions have now been replaced by clauses from the still-to-be-endorsed five-year budget plan, which are causing more disquiet among the staff of Ms Papandreou, social affairs commissioner, and Mr Bruce Millan, in charge of regional policy.

The version likely to be discussed today anticipates taking money from the Social Fund – the "structural fund" targeted on unemployment – to upgrade skills of car workers who are not being made redundant. "It's like robbing the poor to pay the rich," one official in the social policy directorate said.

"It is an enormously big step to fund training within companies," he added, arguing that this would eat into the Community's social role, with little practical guarantee that the measures would be effective, or that companies could not use the funds for general training purposes.

The policy paper explicitly rules out the latter, but it is notoriously difficult for an understaffed Commission to keep tabs on the use to which EC money is put.

As well as trying to equip EC industry with the means to face growing competitive challenges in front-line industries like cars, electronics and defence, the incipient industrial policy is also trying to address a training gap. The Commission, mainly through the Social Fund, funds training for the unemployed at the "bottom end" of the market, while the Council of Ministers provides finance for mainly higher education programmes at the top end. Until now there has been no strategy for the "middle" of the training spectrum.

Politician Walesa trapped by harsh economics

Anthony Robinson assesses the manoeuvres of a Polish president frustrated by post-communist politics

FOR YEARS the communist governments of eastern Europe suffered from a lack of legitimacy which distanced them from their populations. But the collapse of one-party states over half of Europe and Eurasia has left a huge gap which has been only partly filled by new political parties. From Poland to Kazakhstan the sudden re-emergence of political freedom under conditions of economic confusion has been accompanied by the emergence of more or less charismatic leaders offering various forms of guidance.

This is the wider backdrop to the power struggle now taking place in Poland between President Lech Walesa and the government led by Mr Jan Olszewski. The prime minister heads a coalition government cobbled together from seven of the 10 political parties which gained more than a dozen seats in the inconclusive general elections last October.

The fact that no single party gained more than 12 per cent of the vote and that 58 per cent of the electorate did not even bother to turn out for the first free elections since the Second World War has re-inforced Mr Walesa's ability to claim that he is more representative of the hopes and fears of ordinary Poles than the parliament and the government sustained by it.

He after all was elected president with a 75 per cent majority in 1990, although only after he failed to win an overall majority in the first round against then prime minister, Mr Tadeus Mazowiecki, and an obscure Canadian-Polish businessman Stan Tyminski.

The failure of Mr Walesa to win the plebiscite he hoped for, and the indifference with which the electorate faced the parliamentary elections last October indicate that few Poles believe either in charismatic leaders or mediocre politicians.

But this is not the conclusion reached by Mr Walesa. With increasing persistence he is insisting that Poland needs the dynamic leadership that can only come from an executive-style president enjoying wide political powers.

Two years ago Mr Walesa used to cite Marshal Jozef Pilsudski, Poland's inter-war dictator, as his role model. This week he shifted to General de Gaulle, who bequeathed a tradition of strong executive style government to his French socialist successors.

Closer examination however raises doubts as to the appropriateness of either model. Marshal Pilsudski, who agitated for Polish independence before the First World War and became a hero when he repulsed the Red army in the "miracle on the Vistula" in August 1920, enjoyed the backing of the Polish army.

Having decided that Poland under a series of ineffectual coalition governments was going to the dogs he staged a military coup in May 1926 in which more than 300 soldiers were killed and more than a thousand wounded as the putschists clashed with forces loyal to the government.

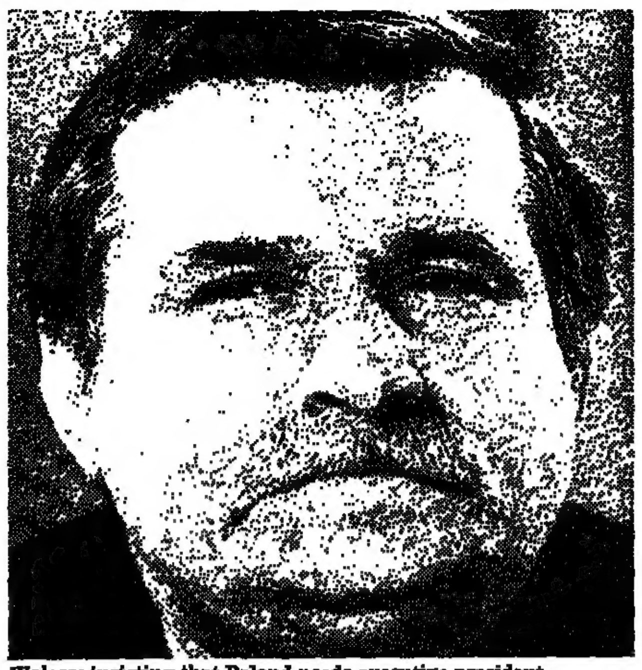
President Walesa, the one-time shipyard electrician with little formal education, has spent the last few months trying to build up his support in the army which until recently was one of the bulwarks of the communist regime he did so much to overthrow. But even though constitutionally he is commander in chief he does not enjoy the sort of military support enjoyed by Marshal Pilsudski. But neither does he enjoy the backing of a strong political party as President François Mitterrand in France.

As a man with acute political antennae and considerable political intuition he probably correctly surmises that many Poles are politically frustrated and angry that democracy has not brought greater prosperity for all. When speaking to thousands of Solidarity supporters from the nearly bankrupt state enterprises who gathered outside the presidential palace last week Mr Walesa hinted that he might try to re-create a mass movement to give him the support he needed to push ahead faster with the sort of reforms which he knows Poland needs.

But Mr Walesa has little understanding of economics and many question whether he has the knowledge or the patience to be an effective executive president. The message from a recent World Bank report is that for Poland, as elsewhere in the region, there are no short cuts, just the need for years of hard slogging to build up the institutions and skills of a market economy and the self-confident middle class needed to sustain a stable democracy.

The irony is that Mr Walesa knows that Poland has no real alternative but to swallow the IMF and World bank medicine. If he gained greater powers he would have to use them to demand the sacrifices required. This is precisely what happened to Mr Olszewski, who became prime minister by criticising the economic policies of the first two post-communist governments but now runs a government whose key member, Mr Andrjez Olechowski, is the finance minister dedicated to keeping the budget deficit within limits approved by the IMF.

If Mr Walesa did succeed in bringing down the government the most that he would probably achieve would be the promotion of Mr Olechowski from the finance ministry to the premiership. But this would leave the constitutional issue of the relationship between the president, the government and parliament unresolved. The essential stand-off in Polish politics continues.



Walesa: insisting that Poland needs executive president

Dispute disrupts Irish mail service

By Tim Coone in Dublin

INTERNATIONAL mail services to and from Ireland face prolonged disruption because of a dispute over casual labour at An Post, Ireland's postal services company.

The state-run company yesterday suspended more than 300 staff after they refused to work with 180 part-time and casual employees brought into Dublin's central sorting office.

An Post yesterday warned the public not to post letters in Dublin until further notice.

The dispute began over the implementation of measures designed to reduce An Post's projected I£3.6m (£3.27m) loss this year.

These include employing casual labour to reduce overtime bills, the ending of a 1987 productivity agreement and the transfer of staff to new offices.

The measures have been recommended by an independent tribunal.

Mr David Begg, the general secretary of the Communications Workers Union, said: "We are very worried about An Post's intentions.

"We would be very happy to have full-time permanent staff recruited but since we cannot get the facts about the proposed casual and part-time recruits we have to be concerned that the intention is to casualise the Post Office as an employment," he said.

The union is ballotting its members on the tribunal's recommendations.

New blow for Lisbon business family

By Patrick Blum in Lisbon

THE MURDER yesterday of Mr Joao Champalimaud, son of one of Portugal's most prominent entrepreneurs, is the latest act in a drama that goes back to the seizure of the family's business assets in 1975 when Portugal's revolution took a sharp turn to the left.

Mr Champalimaud, 41, was shot and stabbed in his Lisbon office just before 9am. The killing is thought to be the consequence of a private grievance.

Before the revolution, the group headed by Mr Antonio Champalimaud, Joao's father, controlled a bank, two of Portugal's largest insurance companies and had holdings in many industries and Portugal's former colonies.

Since then the family, operating from exile in Brazil where it owns a large cement factory, has fought successive Portuguese governments for the return of its assets and compensation for losses incurred.

Mr Joao Champalimaud played a leading role in negotiations with the government.

Two weeks ago, the group won back control of Mundial Confianca, one of Portugal's top three insurance companies which it formerly owned, when it was privatised. Mr Champalimaud's father celebrated the group's return to Portugal after 16 years, by warning that he would clean the company of the vestiges of socialism and of all personnel "appointed by socialism".

West urged to be less secretive

Earth summit to hear demand for environment fund

By Victor Mallet in Kuala Lumpur

DEVELOPING countries preparing for the Earth Summit in June in Brazil yesterday demanded the establishment of a special fund for the summit's environmental programmes, and expressed "serious concern" at a lack of progress in negotiations with the west over financing.

The Kuala Lumpur Declaration on Environment and Development, approved by ministers and officials from 55 governments meeting in the Malaysian capital, conflicts with the western view that new money for the environment should be channelled through the Global Environment Facility (GEF) managed by the World Bank and the UN.

Yesterday's declaration called for "a specific and separate fund" to be established to implement Agenda 21, the 1,000-page series of tasks due to be agreed in Brazil to clean up the world for the next century.

A predictable flow of money for the new fund should be ensured by assessed (obligatory) contributions from developed countries, the statement said, adding that the organisation should be transparent and democratic and should provide financing "without any conditionality".

The developing nations have kept their negotiating options open by not specifically ruling out the use of the GEF, although they regard it as unacceptable in its present form.

Several western governments which sent observers to this week's meeting accepted the need to reform the GEF by making it less secretive, extending its mandate to include regional as well as global problems, and changing the voting structure to give more weight to the Third World. Both sides agree on the need for an unspecified amount of "new and additional money" from the industrialised countries.

Yesterday's declaration also called for a successful conclusion of the Uruguay round of world trade talks and said developed countries should not impose arbitrary trade restrictions on natural resources (such as timber) on environmental grounds.

It said the issue of intellectual property rights should not be used to hinder the transfer of environmentally sound technology on concessional terms to developing countries.

The industrialised world should itself increase its forest cover and take steps to change its patterns of production and consumption to help the environment, the declaration said.

US officials have resisted the idea of radical changes to lifestyles in rich countries, while Japan has recently sought to take the lead in addressing environmental issues and and in promoting its own environmentally friendly technologies.

"Developed countries should fundamentally change their urban structure, transportation system and lifestyle from the current industrialised culture aiming only at economic growth for its own sake based on 'mass production, mass consumption and mass disposal' to one more environmentally sound," Mr Shozaburo Nakamura, the Japanese minister responsible for global environmental problems, told the Kuala Lumpur conference.

Mujahideen government takes power in Kabul

By David Housego in Kabul

A NEW Afghan government drawn from the leading Islamic guerrilla groups yesterday took power in Kabul as heavy fighting continued in parts of the city.

Professor Sibghatullah Mojaddedi, president of the 51-man interim council representing the main guerrilla groups, arrived in Kabul by road in the morning after a 27-hour journey from Peshawar in Pakistan. Accompanying him was a convoy of vehicles carrying heavily armed mujahideen.

One of his first acts was to declare a general amnesty and to call on Gulbuddinn Hekmatyar, leader of the Hezb-i-Islam, and his followers to lay down their arms. But Mr Mojaddedi, who had earlier condemned Mr Hekmatyar as an "aggressor," also warned that they would be punished if they continue to ferment war.

"If they continue with their activities then this government will punish them according to the Sharia and Islamic law," he said.

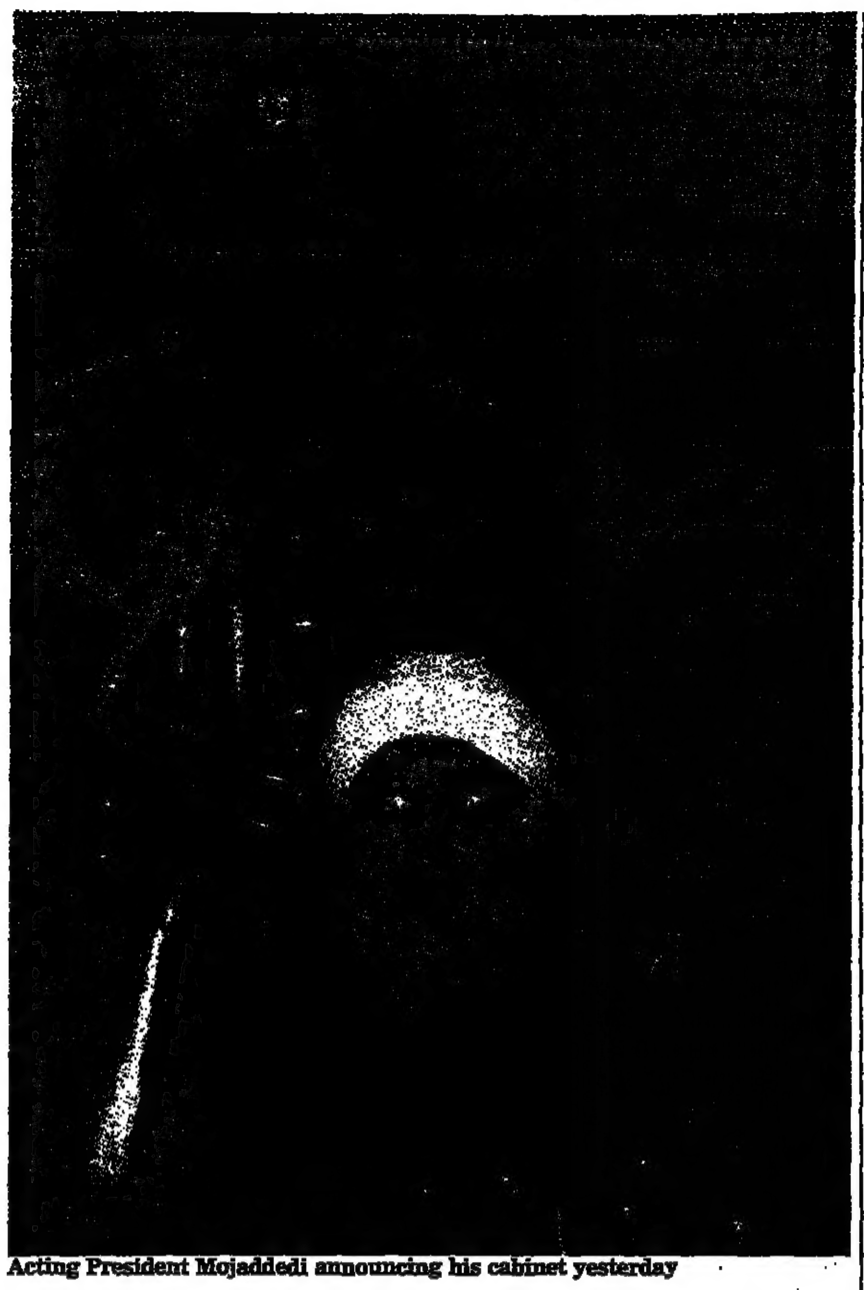
Excluded from the amnesty was former president Najibullah who is still in the UN headquarters here. Mr Mojaddedi declined to be specific about his future but said, "It is up to the people to decide."

Mr Mojaddedi formally took over power at a ceremony attended by what remains of the diplomatic corps here in the Foreign Ministry. He was flanked or faced by many senior members of the former regime including the prime minister, the chief justice, and the speakers of the two legislative assemblies who pledged him their co-operation and support. Mujahideen guerrillas standing behind interrupted their speeches with cries of *Allah-u Akbar* (God is Great).

Immediately after the ceremony intensive fighting broke out in the centre of the city as Hezbe guerrillas demonstrated their opposition to a new administration.

Mr Mojaddedi in a brief emotional speech appealed for national unity after 13 years of civil war. "Now is the time to join hands and to work for the reconstruction of the country." In a reference to the fighting that has accompanied the mujahideen victory he said that Afghans should not be divided on ethnic lines.

Earlier, jubilant mujahideen fired automatic weapons into the air as the new president and his convoy arrived in Kabul. But the Hezbe forces gave warning that they would be resisted by firing 20 shells on to the airport.



Acting President Mojaddedi announcing his cabinet yesterday

Hezbe forces remained entrenched to the south of the city and still held parts of the ridges overlooking Kabul.

Gen Nabi Azibi, the former head of the Kabul garrison, who greeted the new president, admitted that there was "still fighting in some parts of the city". But he claimed that forces loyal to Mr Ahmed Shah Masood, the new minister of defence and head of the Jamiat-i-Islami, were now in control of Kabul.

Farhan Bokhari adds from Peshawar: In Peshawar's Chowk Yadgar market, foreign exchange trading undertaken by some 250 dealers is fast gaining business from events in Afghanistan.

Local dealers say the afghani, the country's currency, has been trading at around 7.25 Pakistani rupees for 100 afghanis, more than four times the rate of PRs1.75 per 100 afghanis during the week before the fall of Mr Najibullah. Intra-mujahideen fighting in Kabul had at one stage pulled it down to PRs5.50 per 100, however. "With peace in Afghanistan, we are getting more customers," says Mr Haji Sherzadeh Khan, one of the traders.

Kurds prepare for election without a state

IT IS forbidden, according to a notice outside the village of Barzan, to kill wild animals, cut down trees or use dynamite to go fishing. If this is the evidence of how life for Iraq's Kurds is returning to normal, then the 6ft phosphor bomb casing close by is a reminder of just how fragile that rehabilitation remains.

A year ago forces of the anti-Iraq coalition entered north Iraq to create a "safe haven" for the Kurds. Now Massoud Barzani, aged 46, the shy rebel leader, is taking the process one step further as the region under rebel control since the allies withdrew in July prepares for elections for a local assembly on May 17.

The Kurds, thanks in large part to the continued allied security umbrella, control more territory than at any time since their struggle for political autonomy began in the 1960s. For all that, they have still to resolve their political future.

The poll may well prove a less than perfect exercise in democracy. Many Kurds are still more influenced by the colour of a candidate's waist band than anything said on the stump. None the less the process marks a symbolic transition for Mr Barzani from guerrilla leader to modern-day politician and provides a mandate to rebuild the society.

In Dohuk and other towns, the old Iraqi municipal rubbish trucks can be seen sweeping the streets – with the hot summer months approaching this was seen as a health priority rather than evidence of a new found civic pride.

A six-month Iraqi blockade has all but paralysed public services. Fuel is in short supply. Aid workers believe the blockade was deliberately timed to coincide with the planting season. As a result there could be a serious grain shortfall.

On top of this the eight-party Kurdish Front is hamstrung by political division. The Front has singly failed to stop some of its owns politicians from stripping now disused government projects of hydraulic and other equipment and trucking it to the Iranian border. Any new administration will have to tackle these problems.

For three decades the Kurds have suffered unimaginable horrors – from the gas attacks at Halabja, to the systematic destruction of up 4,000 villages by Iraqi President Saddam Hussein's forces and the deaths of untold thousands in the government's relocation scheme in 1988, the story of which is only now being pieced together.

Turkey, or at least the Turkish military, also remains suspicious of Kurdish intentions. Bombing raids over north Iraq, ostensibly aimed at Turkey's own Kurdish rebels, have inflicted civilian casualties according to aid workers. At Barzan the bomb casing was provided as the evidence.

Last Saturday, Barzani and the other Front party leaders each submitted 100 names to stand for a local administration of this disputed corner of Iraq. The main election contest will be between Mr Barzani's Kurdish Democratic Party and the Patriotic Union of Mam or Uncle Jalal Talabani. A third force will be provided by the so-called Tribal society – former Kurdish militias of Saddam Hussein – the *jash* or donkeys as they were known.

As son of Mustafa Barzani the revered tribal Kurdish nationalist who founded the movement and whose image today adorns almost every street corner in North Iraq, Mr Barzani commands huge support.

Mr Barzani is himself no less a proven guerrilla leader. Burnt-out tanks on the Selahaddin road bear testimony to

John Murray Brown reports on a process that some view as a luxury but which takes the 'safe haven' in northern Iraq a step closer to a society

his bravery when last April he held the Iraqi advance at bay with just 59 of his personal bodyguard. But his style is quiet, his authority underpinned by a pragmatism which other Kurdish politicians lack. Victory for him would represent a mandate to return to Baghdad to revive the stalled negotiations on autonomy in a bid to end the current stalemate.

The election may seem something of a luxury. The technology deployed also seems somewhat misplaced, with guerrilla leaders already familiar with satellite dishes and fax machines in their mountain hideouts, now smiling from their own television channels, from transmitters seized during the uprising.

Television is of course vital to the success of the campaign, not so much in Kurdistan but in Europe and the US where policy towards the Kurds owes much to western media coverage.

It is one of the striking features of north Iraq that so many of the political posters are in English, in anticipation perhaps of the influx of foreign journalists. Indeed many seem to echo the legal phrases of UN resolution 688, which for the first time mentioned the Kurds by name and which to many Kurds represents a moral commitment on the part of western governments.

The United Nations has given its implicit backing to the elections as have the Kurds' friends in the West – the main reason for Mr Barzani's swing through European capitals last month. Recently, in the latest bizarre twist of its year-long run-in with the regime in Baghdad, the UN sanctions committee gave permission for the shipment of 2.5m voting slips, 10,000 stamp pads and 150 litres of indelible ink, describing it as "an essential civilian need". It is a phrase with which few Kurds would argue.

Peace offer to Burma's minorities

By Our Foreign Staff

BURMA'S military junta yesterday pledged to end harassment of two main minority groups, continuing a series of political initiatives launched in the past week apparently aimed at improving its tattered international image.

State radio said the ruling State Law and Order Restoration Council (Slorc), which overrode the result of a 1990 general election to stay in power, was suspending its campaign against Karen ethnic rebels "in view of national unity and goodwill."

Since January its forces had been trying to capture the Karen headquarters at Manerplaw on the Thai border.

In the Bangladeshi capital Dhaka, Mr Ohn Gyaw, Burmese foreign minister, said the Slorc wanted the more than 200,000 Rohingya Moslem refugees who have fled across that border "to return to their homes as soon as possible," adding: "There is no question of harsh treatment to our own people."

The Slorc in mainly Buddhist Burma had previously insisted the refugees were not its citizens. But refugee groups have said they will not return unless human rights conditions improve in the western province of Arakan where most of Burma's 3m Moslems live.

Since Gen Than Shwe took over last Thursday as head of the Slorc, replacing the ailing hardliner, Saw Maung, 27 Burmese political detainees have been released, with the Slorc saying it would release all such prisoners not deemed a threat to national security.

Those released were said to include Mr U Nu, Burma's last democratically elected prime minister, and four aides to Ms Aung San Suu Kyi, the opposition leader put under house arrest in 1989 for alleged subversion and who was awarded the Nobel Peace Prize last year.

Bank imposes new curbs on Hyundai companies

By John Burton in Seoul

NEW CREDIT restrictions were imposed yesterday on 10 companies in South Korea's Hyundai industrial group by their main bank, Korea Exchange Bank (KEB).

KEB will not approve property purchases or industrial investments by the companies until they recover money lent to Mr Chung Ju-yung, the Hyundai founder, and his family in February.

The finance ministry last month warned that it would impose the financial sanctions if the companies did not submit a timetable by mid-April for recovering the Won248bn ($180m) borrowed by the Chung family.

No repayment schedules were filed, although the Chungs repaid Won51bn of the amount in shares last month. The KEB said the loans should be repaid in cash instead of shares.

The companies affected by the new credit restrictions include Hyundai Engineering and Construction.

Although the decision is considered linked to the government's political feud with Mr Chung, the finance ministry said it is also examining whether the family owners of South Korea's 30 biggest conglomerates have also borrowed funds from their companies for personal purposes, a practice that was banned in February.

Mr Chung is believed to used the borrowed funds to help finance his new anti-government political party, the Unification National Party.

ANC document sets moderate tone

By Patti Waldmeir in Johannesburg

THE African National Congress yesterday released a draft economic policy document marked by a moderate tone and a promise to eschew rigid ideologies in favour of pragmatism.

The document, due to be debated at the organisation's first policy conference on May 28-31, again raises the vexed issue of nationalisation, but promises flexibility.

For the first time, the paper mentions the possibility of reducing the role of the public sector through privatisation, previously a bogey of the left. It promises that the post-apartheid tax structure will "reflect the need to create incentives for investment and expansion" though it supports a new land tax and suggests expropriation of land, with compensation, to make amends to blacks evicted under apartheid.

Meanwhile, South African political groups took a further step towards setting up a multi-racial interim government when a sub-committee of the constitutional negotiating forum, the Convention for a Democratic South Africa (Codesa), agreed on a cabinet-level council to act as an interim executive until a new constitution is agreed.

'Perfect' deal sours for NSW premier

By Kevin Brown

IT LOOKED like the perfect political deal. A troublesome Independent MP resigns his seat to take a well-paid job in the public service, and the government calls a by-election it is almost certain to win.

For Mr Nick Greiner, the conservative premier of New South Wales, it looked too good to miss, especially since the extra seat would shore up his minority government's crumbling majority. Nor was it a particularly unusual deal. For the people of Australia's richest and most populous state, though, it seems to have been the straw that broke the camel's back. And as parliament debated a censure motion last night, it looked as though Mr Greiner could pay a high price.

Mr Greiner's problem is that his Liberal/National party coalition government controls only 47 seats in the 99-seat state parliament, the same number as the opposition Labor party. The government is sustained in office by a deal with five Independent MPs, who have promised to oppose opposition attempts to win power in return for changes to parliamentary procedure and greater freedom of information.

Two weeks ago, the government announced that Mr Terry Metherell, a former Liberal minister who defected to the Independent benches last year, had been appointed to a senior planning job in the state's environmental protection agency. His five-year contract is worth A$550,000 (£240,000).

No one suggests Mr Metherell is not qualified for the job. He has a doctorate in planning law, and knowledge of government procedure and practice which will be extremely useful to the agency. However, it emerged that his appointment was actually to a special unit in the premier's department, from which he was subsequently seconded to the agency without its approval.

Furthermore, his application for the job was written after the publicly announced deadline, and he was appointed without an interview, although there are believed to have been 60 other applications. Mr Metherell denies wrongdoing, but has refused further comment.

The government initially shrugged off opposition allegations of malpractice and corruption, but was forced on to the defensive after Mr Greiner admitted the appointment was a straightforward "political deal." Now the affair is to be investigated by state's Independent Commission Against Corruption (ICAC), and government officials may be called to give a first-hand account of events to MPs.

There was uproar in parliament as a series of debates on the affair began yesterday with a claim by Mr Bob Carr, state Labor leader, that Mr Greiner was guilty of conspiracy to corrupt. Mr Metherell, he said, had "swapped his seat for a job." Mr Greiner, clearly angered, branded Mr Carr "a coward, a liar and a hypocrite."

The premier has his cabinet's backing, but is likely to be given a rough ride by his own backbenchers when Liberal and National party MPs meet to debate the issue today. At least one Liberal MP is expected to call for Mr Greiner to quit, and senior cabinet ministers have begun to prepare for a leadership campaign if he is forced to go.

Independent MPs will demand his resignation if he is criticised by the ICAC investigation. If the premier refused to go in such circumstances, the Independents say they would put Labor into power.

All this is deeply galling to Mr Greiner, a Harvard graduate who swept to power in 1988 after a campaign centred on the alleged corruption of the former Labor government. As a student of political history, he will appreciate the irony if he is forced out of office on the same issue, especially if the death blow is struck by ICAC – the anti-corruption body he set up after the 1988 campaign.

Cleaning up the image: workers service a giant portrait of Mao Zedong at the Gate of Heavenly Peace in Tiananmen Square, Beijing, ahead of May Day celebrations

Japan's industrial production drops

By Steven Butler in Tokyo

INDUSTRIAL production in Japan fell by 5.3 per cent in March compared with a year ago as the recession in Japan's manufacturing sector continued to tighten its grip, the Ministry of International Trade and Industry said yesterday.

On a seasonally adjusted basis, industrial output fell 2.8 per cent in March compared with February. This was the fourth consecutive month of declining output and sharpest decline since last June.

The size of the decline will make it extremely unlikely that the government will have been able to reach its target for economic growth of 3.7 per cent in the 1991 fiscal year, and increases the likelihood that the Japanese economy is technically in recession.

Inventories fell by a seasonally-adjusted 1.1 per cent compared with February in a further sign that companies are taking action to reduce a large overhang of unsold goods. However, the process has some way to go as inventory levels remained 7 per cent higher than a year ago.

Indeed, the decline in inventories appeared almost entirely attributable to reduced production as industrial shipments fell by 2.7 per cent month-on-month, while the ratio of inventories to sales rose by 1.2 per cent.

Meanwhile, the Economic Planning Agency reported that the index of leading indicators stood at 30 in February. This is the 18th consecutive month in which the indicators fell below 50, which indicates a slowing economy. One bright spot in the indicators was a revival of housing investment.

NZ BUDGET DEFICIT DOUBLES

By Terry Hall in Wellington

THE New Zealand government yesterday announced a projected doubling in its budget deficit for the year to June 30 to NZ$3.4bn (£1.02bn), raising questions over its pledge to balance the books in the current parliamentary term.

However, Ms Ruth Richardson, finance minister, expressed confidence that increasing economic growth would deliver the revenue she needed. She said the government remained committed to holding down spending.

The rise was primarily due to a fall in revenue due to the deep economic recession, with business tax being much lower than expected.

The government also lost NZ$225m due to a technical change in collecting the consumption tax, and had decided not to sell its recently acquired shares in Fletcher Challenge, the leading local forest products and industrial group, before June.

On budget night last July Ms Richardson forecast a deficit this financial year of NZ$1.7bn.

This was increased in December to NZ$2.75bn. The latest forecast is NZ$3.425bn.

UK attacked over HK constitution

By Simon Holberton in Hong Kong

BRITAIN was yesterday criticised for failing to allow the people of Hong Kong to exercise self-determination and was urged to introduce full democracy into the colony before it reverts to Chinese sovereignty in 1997.

A report by the Geneva-based International Commission of Jurists (ICJ) expresses serious doubts about protection offered to Hong Kong's judiciary, its legislature and people by the Basic Law, the colony's post-1997 constitution, promulgated by the Chinese government in April 1990.

The report strongly criticises Britain for not offering Hong Kong's people the right of self-determination in the form of a referendum over the terms of the Joint Declaration. In the absence of this the report says Britain should offer 3.2m holders of locally-issued British passports the right of UK abode.

Robert Rice, Legal Correspondent, adds: Sir William Goodhart, the British QC, who with jurists from Australia, Malaysia and Germany visited Hong Kongfor the ICJ, said: "The agreement was signed before the brutal suppression of the pro-democracy movement in 1989. The big question is will the Chinese government allow the people of Hong Kong to exercise the rights and freedoms which it has denied so far to its own citizens?"

Countdown to 1997. ICJ, PO Box 145, CH-1224 Chene-Bougeries, Geneva, Switzerland

Brussels disputes Gatt panel view in Airbus row

By Frances Williams in Geneva

THE EC said yesterday it could not accept the legal reasoning behind the condemnation by a Gatt disputes panel in January of exchange rate guarantees to the German arm of Airbus Industrie.

However, EC officials told Gatt's subsidies committee, which was discussing the panel's report for the first time yesterday, that the exchange rates scheme was suspended at the beginning of this year.

The US brought a complaint to Gatt last year as part of its wrangle with the EC over state support for the four-nation Airbus project. It claims the German scheme led to \$2.5m (£1.4m) export subsidy for each of 95 aircraft delivered in 1990.

Bonn suspended the scheme for claims after January 15 1992, but it will stay in place until the contract with Deutsche Airbus, now owned by Daimler Benz, is renegotiated.

The mechanism, designed to compensate losses incurred by Deutsche Airbus for a drop in the dollar's value against the D-Mark, was introduced in 1989 to sweeten the privatisation deal involving the merger of Daimler Benz with Messerschmidt-Bölkau-Blohm (MBB).

The US, backed by Japan and Canada, called yesterday for immediate adoption of the panel's report. However, the EC said the panel's argument was partial because it ignored provisions governing support for the industry in Gatt's civil aircraft code.

It denied the exchange rate scheme was an export subsidy, saying it affected only Deutsche Airbus' financial position, not the competitive position of Airbus aircraft in the world market.

The panel ruled the scheme constituted an export subsidy on deliveries of fuselages from Germany to France, but the EC said trade between EC member states did not constitute an export. The subsidies committee will consider the panel report at its next meeting.

NEC, AT&T 'agree pact on chip sales in Japan'

By Steven Butler in Tokyo and Louise Kehoe in San Francisco

NEC, the Japanese electronics company and AT&T Microelectronics, the semiconductor subsidiary of the US telecommunications group, plan a joint venture to sell AT&T chip products in Japan.

NEC announced the venture in Tokyo yesterday and stressed its value in reducing US-Japanese trade tensions. But in the US, AT&T Microelectronics said it had only "initialled a memorandum of understanding" with NEC and "a lot of work remains to be done" on details.

AT&T said the joint sales venture plan had arisen from talks aimed at enhancing an established strategic partnership between the two companies, begun two years ago with a technology exchange accord. AT&T has annual sales of about \$200m (£112.9m) a year in Japan, but declined to say how far the venture might lead to expanding its sales there.

NEC's announcement shows its determination to help resolve the chip trade dispute by boosting US sales in Japan. Last year, the US and Japan agreed the foreign share of the Japanese chip market should reach 20 per cent by the end of this year.

But latest data shows the foreign share at only 14.4 per cent in the fourth quarter of 1991 and flat for the past year. Mrs Carla Hills, US trade representative, has expressed concern at the lack of progress, and US chip makers may seek economic sanctions unless sales grow soon.

Israel basks in warmth of post-war tourism revival

Quick recovery illustrates its role in Israeli and occupied territories' economies, writes Hugh Carnegy

WITHIN the Ottoman walls of old Jerusalem, the market traders and souvenir hawkers who crowd the narrow alleyways around the city's holy shrines are smiling this month. For both Jews and Arabs in the tourist trade are enjoying a bumper season after the disaster of 1991 when the Gulf war kept away all but the hardiest pilgrims.

According to initial estimates by the Israeli ministry of tourism, the peak period Jewish Passover and Christian Easter celebrations drew a record 70,000 visitors. This is slightly higher than the previous record set in 1990 before the Gulf crisis cast its shadow over the Middle East.

To the end of March – before the Passover/Easter rush began – the number of tourist arrivals was only a few thousand short of the 348,000 for the same period in 1990. The contrast with a year ago, when less than a third of that number came and the Old City streets were eerily deserted, could hardly be greater.

The quick recovery, which began in the second half of 1991, has engendered more than just relief among Israeli and Palestinian businesses involved in the trade. It has illustrated the importance of tourism to both the Israeli economy and the economy of the occupied territories. And it raises the question of how great the potential for both sides could be if the current Middle East peace talks yield results.

Smoothing out the effect of conflicts such as the Gulf war and the Palestinian *intifada* (or uprising against Israeli rule) which periodically afflict the local tourism industry, a little less than 1.5m tourists visit Israel and the occupied territories annually. They leave behind them around \$2bn.

The vast majority of this revenue goes to Israel and it is a vital contributor to the current account. Mr Gidon Patt, the tourism minister, says that if the number of visitors could be raised to 3m – not an unrealistic target considering the potent draw of history and religion, sun and sea – the earnings would substantially reduce the country's large trade gap.

On the Palestinian side, the Arab Tourist Industry Co-ordinating Committee, an umbrella group of operators in the occupied territories, estimates the share Palestinian tour operators take of the \$2bn tourism revenues to be around \$100m. This does not take into account the earnings of the large Palestinian souvenir industry and related businesses.

"Tourism is and will be one of the main income generating industries for the Palestinians and will be one of the main contributors to Palestinian gross national product. It will also be one of the main foreign currency earners and will help absorb a high number of employees," says a study by the ATI committee.

Both sides agree that to exploit the potential of tourism in the immediate area – and the region as a whole – co-operation and political stability is vital. Operators in Jerusalem say just the fact that peace talks have begun has already had a positive effect.

Mr Patt's officials have produced a list of proposals for simple measures such as free movement of tour buses, hire cars and private vehicles across borders which at present remain closed. He is anxious to co-operate with Palestinian operators in tackling the "Holy Grail" of both sides – attracting Moslem pilgrims who are currently almost non-existent despite the Dome on the Rock's status as the third-holiest Moslem shine.

"You cannot distance yourselves from the Israelis because you have to market the area as a whole," says Mr Hani Abu Dayeh, owner with his brother Sami of the Palestinian company NET, the biggest tour operator in Israel and the occupied territories. "The future of tourism is going to depend on strong co-operation."

There are, however, big obstacles in the way. Co-operation means different things to the two sides.

The Israelis, financially and politically the senior partners, clearly envisage remaining in overall control of the industry. The Palestinians, meanwhile, looking forward to a day when they have some kind of independence, see themselves taking control of the attractions in east Jerusalem and the West Bank – which include many of the main draws such as the Old City, Bethlehem and Jericho.

The Palestinians also want to redress what they see as a deliberate policy by Israel since the occupation in 1967 to suppress their industry's development.

There is a chronic imbalance in hotel space, with Palestinians having only about one-tenth of the Israeli capacity. Lack of investment is partly to blame, but the ATI committee say licences to build have been withheld by Israel. There is bitter resentment also at the strict rules governing licences for tour guides which have meant only a handful of Palestinians have been licenced as guides against 3,000 for Israelis since 1967.

There are complaints of commercially motivated harassment. Hani and Sami Abu Dayeh spent 17 days in solitary confinement in 1989 after an armed tax raid on their offices by the Israeli authorities who said their long-standing tax return arrangements were illegal. The case is still unresolved and they may yet return to jail for some months.

Still, says Hani Abu Dayeh, co-operation on an equal footing is the only way forward. "The potential is vast. With peace we could catch up to the natural level of tourism here – and that is so big we would not know what to do with ourselves."

Israel's travel agents, fighting to preserve their monopoly over cut-price ticket sales, yesterday accused Lufthansa, the German airline, of publishing an anti-semitic newspaper advertisement, writes Hugh Carnegy.

Lufthansa has run into opposition from the Israeli Association of Travel and Tour Agents to its proposal to sell budget tickets direct to Israel tourists, by-passing the agents and offering a lower price.

The airline ran full-page newspaper adverts on Monday in cartoon form showing an Israeli couple seeking to benefit from Lufthansa's offer getting the brush-off from a smug travel agent.

The travel agents association replied with its own adverts yesterday saying the Lufthansa portrayal of the Israeli couple was anti-semitic. Many Israelis who saw the Lufthansa ads – drawn by an Israeli artist – were puzzled by the accusation.

Finns invest £24m in TV tubes

By Michiyo Nakamoto

NOKIA Consumer Electronics, the third biggest maker of televisions in Europe, is investing £24m in a television picture tube factory in Germany.

The company is to adapt production lines at its Esslingen factory to make picture tubes for wide screen TV, which European electronics manufacturers hope will be the next mass-selling consumer product in the television market.

Nokia, a Finnish group, will also build a 6,000 square metre extension to the factory and install highly-automated Black Matrix tube machinery. The Black Matrix technology produces improved screen resolution, colour and contrast. Its introduction will make Esslingen one of the most advanced tube plants in Europe.

Production of the picture tubes on the 16:9 screen format will start by the end of 1993. The plant will also continue producing tubes for conventional square-shaped 4:3 television sets.

Although Nokia, Philips, the Dutch electronics group, and Thomson, the French group, have been selling 16:9 wide-screen TV sets since September, Thomson is the only maker currently producing 16:9 picture tubes. Nokia's investment comes when European electronics companies are suffering from sluggish consumer demand which has led to makers holding unusually high inventories of about two-months' worth of production.

But Nokia expects demand for its conventional picture tubes to increase, partly because European manufacturers are able to meet only about 8 per cent of indigenous demand. Far eastern manufacturers supply the rest of the market. It also expects demand for 16:9 picture tubes to increase as the wide screen TV market grows.

Accountants in China link-ups

TWO INTERNATIONAL accountancy firms have formed unprecedented joint ventures in China which give them the same powers to operate as local firms, Andrew Jack writes.

Arthur Andersen has linked up with Hua Qiang certified public accountants in Beijing, a branch of China's finance ministry. KPMG Peat Marwick has formed a similar link with a second firm operated as a ministry subsidiary.

The agreements, ratified in the past few days, will give the joint ventures the power to certify accounts filed to the Chinese tax authorities.

S Korean trade deficit shrinks 23% to \$2.6bn

By John Burton in Seoul

SOUTH Korea's trade deficit shrank by 23 per cent to \$2.6bn (£1.46bn) during the first quarter of 1992, contributing to a 14 per cent decline in its current account deficit of \$3.2bn.

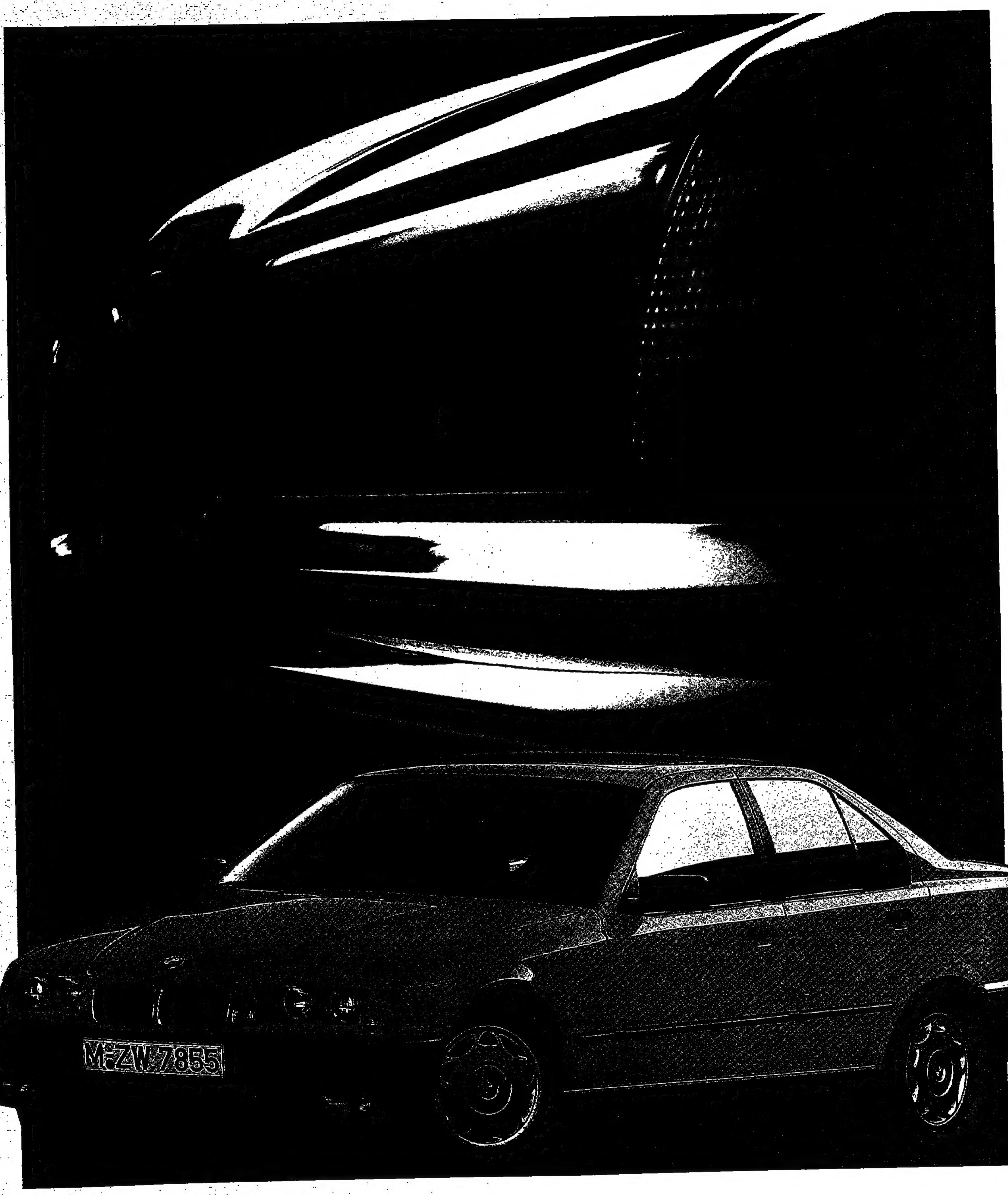
Exports grew by 11.6 per cent to \$16.8bn, outpacing a 6.6 per cent rise in imports to \$19.5bn.

South-east Asia was the only region with which South Korea enjoyed a trade surplus, amounting to \$1.6bn during the first quarter against a surplus of \$795m a year ago. South-east Asia overtook the US in March as the country's largest export market.

South Korea's trade deficit with the US increased by 27 per cent to \$965m, while its trade deficit with Japan remained unchanged at \$2bn.

The trade deficit narrowed in March to \$550m from \$897m a year ago, while the current account deficit shrank to \$877m from \$1.2bn.

Exports in March increased by 12.4 per cent to \$6.2bn, boosted by shipments of ships, cars and petrochemical products. Imports grew by 5.4 per cent to \$7.2bn.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New economic allies begin the long haul

By Peter Norman, Economics Correspondent, in Washington

THIS week's decisions in Washington to admit Russia and other former Soviet republics to membership of the International Monetary Fund and World Bank have provided an important, *historic moment in* the process of integrating the former Soviet Union into the *world economy*.

But the really hard work is only just beginning.

● Difficult negotiations are in prospect over conditions to be attached to IMF financial support for its new members and on details of the proposed rouble stabilisation fund.

● Russia and the other *entrants will soon find them*selves on a difficult learning curve as they discover that the IMF and World Bank are no "soft touch" for easily available finance.

● Although the IMF has produced an impressive battery of documents over recent weeks detailing economic developments in Russia and the republics, monetary officials admit it is *difficult to tell what rele*vance these have to conditions "on the ground" outside the *main metropolitan centres* such as Moscow and Saint Petersburg.

President Boris Yeltsin's remarks yesterday that Russia "would not work under the direct orders" of the IMF were a pointer to future tussles over economic policy between Moscow and the IMF.

The detailed *difficulties* which lie ahead are symbolised by discussions over the *proposed $6bn (£3.4bn) rouble sta*bilisation fund, which was agreed in principle by the Group of 10 industrialised countries this week.

The idea is simple: that the fund should exist in reserve to support rouble parity once Russia has agreed to an IMF economic reform programme. Ideally, as Mr Yegor Gaidar, Russia's first deputy prime minister, said on Tuesday, the best use of the fund would be not to use it at all because that would show confidence had been established in the *rouble*.

But the questions are many.

Nobody knows what the rouble parity should be, although the Russian government feels existing market-determined rates undervalue the currency.

The future regime for the rouble is open. Will it be fixed, *put in a crawling peg of adjust*able rates or float? G10 senior officials have suggested at *least an initial period of float*ing, while Mr Gaidar favours fluctuation margins of 7.5 per cent either side of an eventual parity.

What, if any, will be the anchor currency for the rouble? Will it be the Ecu, as proposed by Mr Norman Lamont, the UK chancellor, or the dollar as suggested by Mr Gaidar?

What will be the arrangements to ensure that monetary policy in the other countries of the planned rouble zone does not undermine the currency?

It is also far from clear whether the industrialised countries agree on how the fund should operate. Mr Helmut Schlesinger, Bundesbank president, has suggested it should run for only one year and that extensions be agreed among the G10. This would *keep the Russians on a short* leash.

The stabilisation fund itself *will only come into effect when* Russia and the republics have satisfied the IMF and G10 that they have effective macro-economic and structural reform programmes in place. It is therefore far from certain that it can be established in time for Russia's planned move to a unified exchange rate for the rouble on July 1.

It is little wonder that some senior western monetary officials privately doubt whether the fund will come into being at all.

But the stabilisation fund is only a small part of a bigger and more confusing mosaic.

"The big question is how much they – that is their government, the country and the Russian political community – recognise the true magnitude of what faces them," one senior western official mused this week.

Mr Gaidar spoke of Russia *having a stable and high rate* of growth after five years. Some western officials talk of a 25-year process of economic rehabilitation for Russia and the republics.

Ominous parallels are drawn with the Latin American debt crisis of the 1980s. That is only now resolving itself after nearly 10 years. Yet the Latin American countries had experience of the market economy and market-orientated structures in place; Russia and its neighbours have none of these.

But Russia clearly has one asset in the shape of Mr Gaidar. Mr Nicholas Brady, US Treasury secretary, expressed a fairly general view of Russia's deputy prime minister when he described him as "an enormously convincing person".

Perot gives new look to race for White House

By Jurek Martin in Washington

THE latest polling nugget from the west – that Mr Ross Perot is virtually level with President George Bush in California, which holds its US primary on June 2, with Bill Clinton a close third – is beginning to focusing the minds of Republican and Dem*ocratic strategists on the* impact of a strong independent candidacy in the presidential election.

Vice-President Dan Quayle, for example, noted with some glee this week that it was quite possible Mr Perot would pass Mr Clinton in the national polls in the weeks ahead and *even emerge as* Mr Bush's main challenger in November.

But, as another primary was taking place last night in Pennsylvania, his satisfaction at this prospect is tempered by growing evidence that Mr Perot is most popular at this early stage in the south-west and west, regions which have voted solidly Republican.

The Los Angeles Times survey gave Mr Bush 33 per cent, Mr Perot 32 per cent and Mr Clinton 26 per cent. Other local polls have put the Texas businessman ahead in his home state and in New Mexico and coming on strongly in Arizona.

Even if Mr Perot's support *fades as the electoral year* progresses, as most third-party candidacies have, the threat he poses to the two main party candidates may yet determine the outcome in critical states.

The most immediate concern is for Mr Clinton, assuming he is the Democratic nominee. To be relegated to third place would undermine his credibility further, which explains why he has taken to attacking Mr Perot on the campaign stump.

On the other hand, the historical record, demonstrated in 1892, 1912, 1968 and 1980, is that measurable independent candidacies tend to hurt the incumbent president most. Exceptions to this, however, were registered in 1924 and 1948.

Much would depend on how Mr Perot's support holds up. Probably the best rule of thumb is that the more votes he gets the more he hurts the Democratic candidate, whereas if his support drops his natural market is more in the Republican ranks, concentrated *in the* regions where he is most appealing.

Mr Perot *encourages* this prospect by attacking Mr Bush more consistently than he does Mr Clinton. He said this week that if his friend, Senator Lloyd Bentsen from Texas, were the Democratic candidate he would not be contemplating running himself.

A strong Perot performance in November *also raises the* prospect of no candidate securing a majority in the electoral college, which in turn would throw the choice of the next president into the new House of Representatives.

But Mr Perot would have to do very well for this to happen. George Wallace got 13 per cent of the *national* vote *in* 1968 and carried five southern states, but this was not enough to deny Richard Nixon a comfortable victory in the electoral college (though not in the national vote) over Hubert Humphrey.

Conventional wisdom, supported by history, still has it that in the US, as in Britain, independent, or third-party, candidacies get squeezed in the *autumn as the two main par*ties become energised. Certainly Mr Perot is now the subject of the sort of media scrutiny, not all of it favourable, which can take the bloom off his political rose.

Additionally, he has no formal political organisation in the country at large, beyond the small army of volunteers now trying to get his name on the ballot in every state. *Although the influence of* party machines has greatly declined, they still count when it matters.

Working for Mr Perot are his vast private financial resources, equivalent to what the two main parties are likely to spend, and the pervasive sense of dissatisfaction with politics-as-usual and the likely two major candidates.

IMF gloomy on outlook for the Baltic republics

By George Graham in Washington

THE International Monetary Fund has delivered a grim prognosis for the economies of the three Baltic republics.

In separate studies of the three newly independent countries, the IMF describes the *economic outlook for Latvia* and Lithuania this year as "bleak", while it calls Estonia's economic situation "precarious".

Latvia faces a drop in real gross domestic product of as much as 30 per cent this year after an 8 per cent decline in 1991. Some enterprises are being forced to halt activity because of shortages of energy and other raw materials.

*In Lithuania, many enter*prises will face the same fuel shortages unless the disruption to trade with other republics of the former Soviet Union is overcome.

IMF REVIEW OF BALTIC ECONOMIES 1991

Latvia	
GDP	7.9 %.
Consumer prices	+317 %.
Real net wages	-21.6 %.
Lithuania	
Net material product	-12.8 %.
Retail prices +224.7 %.	
Net wages	(approx) 20%.
Estonia	
GDP	-10.8 %.
Consumer price index	+211.8 %.
Real wages	-39.4 %.

Even if it succeeds in this, the IMF expects Lithuania's output to decline by at least 15 per cent and possibly by more than 30 per cent, on top of the 20 per cent decline recorded in 1990-91.

Estonia's "already precarious economic situation" has been exacerbated, the IMF says, by the dislocation of its trade with other former Soviet republics and the shock caused by the higher cost of imports at world market prices.

"The prospect for 1992 is for a further fall in real GDP, perhaps of the order of 20 per cent, even if trade relations *with other republics* can be normalised," the Fund's study warns. Inflation has raged in all three republics, topping 300 per cent last year in Lithuania and Estonia and exceeding 300 per cent in Latvia.

The republics plan to introduce their own currencies, but this may be delayed until later this year. While they continue to use the rouble, their inflation performance will be tied to Russia's.

For Estonia, inflation may exceed 400 per cent this year, the IMF says, but in Lithuania the introduction of its new currency, the litas, "will provide an opportunity to achieve a sharp reduction in the wage-price spiral".

Critics in Russia condemn $24bn aid package

Yeltsin shuns 'western dictation'

PRESIDENT Boris Yeltsin said yesterday Russia did not share all the views of the International Monetary Fund and would not allow it to dictate conditions to Moscow, the Interfax news agency reported, Reuter reports from Moscow.

On Monday the IMF and World Bank approved membership for Russia and other former Soviet republics, opening the way to a $24bn (£13.5bn) western *aid* package.

"We do not intend to work to the direct dictation of the IMF," Mr Yeltsin said before leaving on a three-day tour of northern Russia and Siberia. "We do not share the views of this organisation on everything and we will stick to our point of view."

Mr Yeltsin's conservative critics say the aid package will tie the government's hands and put the country under the west's effective control.

"We do not want to throw ourselves head first into the abyss and grab all $24bn at once," the president said.

Russia intended to work out carefully what to do with the money and in this way should avoid the "social cataclysm" which had enveloped some third world countries after receiving IMF aid, he added.

Peter Norman adds from Washington: Mr Yeltsin's remarks caused no visible concern at *the IMF's Washington head*quarters.

"It means that President Yeltsin has perfectly understood the methods of the IMF," said Mr Michel Camdessus, the organisation's managing director. That is "never to dictate but to agree with the country on a programme which is basically the programme of that country".

While some diplomats attending the spring meetings of the IMF and World Bank dismissed Mr Yeltsin's remarks as political posturing, others looked ahead to a difficult learning process after the initial euphoria associated with IMF and World Bank membership for Russia and the other former Soviet republics had died down.

● The US Treasury has put forward a compromise proposal to permit Russia and other former Soviet republics to join the International Finance Corporation, the World Bank affiliate which promotes private-sector investment, as soon as possible.

Membership has been snagged by an insufficient supply of IFC shares available for Russia and the other republics to take up their full entitlements in the corporation.

According to a senior US Treasury official, the US has proposed that the states join the IFC by taking up shares available and be given access to the IFC's resources. The shareholdings would then be topped up as and when new shares became available.

Terry Kirk

Michel Camdessus: IMF methods understood perfectly

Finance ministers appeal for swift trade liberalisation deal

By George Graham

FINANCE ministers from industrial and developing countries yesterday issued an urgent *call for a swift agree*ment to liberalise world trade.

Meeting in the interim committee of the International Monetary Fund – the Washington-based organisation's principal policy-making body – the finance ministers said a rapid conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) was essential to restore dynamism to world *trade and would contribute to* economic recovery.

"All countries stand to benefit from the round, and would suffer from a failure," the committee said in a communiqué.

"The success of the negotiations is a must."

Mr Carlos Solchaga, Spain's finance minister and the chairman of the committee, said it was not easy to negotiate in an election year, but expressed disappointment over the Gatt deadlock. "It must be said that responsibility is not shared equally among the different members of Gatt. It lies mainly *on the US and the European* Community," he said.

Mr Solchaga said the failure to reach a *new agreement* put the IMF in the difficult position of asking developing countries to adopt "perfectionist" economic policies and open up their own markets, while the industrial countries kept protectionist barriers to their goods.

"I feel that this situation *isn't a very comfortable one*," he declared.

In other comments the interim committee communiqué:

● Called for appropriate monetary and fiscal policies to assure recovery and sustainable growth, coupled with measures to eliminate unproductive spending and reduce public sector deficits.

● Welcomed signs of a stronger economic performance by developing countries and urged continued financial support for low-income nations from the IMF's enhanced structural *adjustment facility*.

● Praised the efforts of the countries of eastern Europe and the former Soviet Union to reform their economies.

● Expressed its concern that the IMF's quota increase had not yet come into effect, and asked all members which had not agreed to the increase to do so "as a matter of urgency".

This is not the first time the committee has issued a call for *a successful conclusion to the* Uruguay Round.

But Mr Michel Camdessus, the IMF managing director, last week acknowledged that such calls had little effect.

"One of the deficiencies, if there are any, of the interim committee is that you have there assembled distinguished ministers of finance but their trade colleagues are, well, out to lunch in their capitals."

Former BNL man jailed before trial

By Alan Friedman in New York

A US judge has jailed Mr Christopher Drogoul, the man at the centre of the scandal over more than $4bn (£2.2bn) of improper Iraqi loans extended by the Atlanta, Georgia branch of Italy's Banca Nazionale del Lavoro (BNL).

Mr Drogoul, the former manager of the BNL Atlanta branch, is due to stand trial on June 2 over the affair.

Documents obtained by the Financial Times show that more than half of the BNL loans to Baghdad helped to finance Mr Saddam Hussein's development of nuclear, chemical and ballistic missile projects.

But US prosecutors have thus far only brought indictments against Mr Drogoul and other low-level BNL officials on the basis of fraud and tax evasion charges.

According to Ms Gerrilyn Brill, the first assistant US attorney in Atlanta, Mr Drogoul was jailed because of fears that he might flee the country. Ms Brill could not, however, explain why such fears had arisen some 14 months after Mr Drogoul was originally indicted; he has been at liberty ever since.

It is understood that US prosecutors were infuriated four weeks ago *when Mr Drogoul* broke his long silence and told an Italian newspaper that US government officials had secret knowledge of the BNL Atlanta loans to Iraq's military procurement network.

Pemex shake-up may follow gas blast

Damian Fraser on a strengthened case for restructuring at Mexico's state oil company

THE explosion that killed at least 191 people in Guadalajara, Mexico last week may have strengthened the hand of those wishing to restructure Petroleos Mexicanos (Pemex), the once-proud state oil concern.

On Monday, Mexico's *attorney-general*, Mr Ignacio Morales Lechuga, ordered the jailing of seven government officials, including four from Pemex, for charges including negligent homicide. The blast was caused, said the attorney-general, by a leak of large quantities of petrol, combined with other combustibles, into the city's sewer system, as a result of a corroded water pipe. *The Pemex officials had called* off an emergency check of gas leaks in the early morning of the explosion.

Pemex, along with local government officials who failed to evacuate the endangered area after receiving complaints about gas leaks, has come under fierce criticism. The outrage has been fuelled by Pemex's original denial of all responsibility, coming just a couple of hours after the explosion, and the public accusation it made against a small cooking-oil company (which is still being investigated).

Rescue workers showed their disgust by interrupting a press conference given by the governor responsible for Guadalajara, and demanding that Pemex be held accountable for *the deaths*. Newspapers have run critical accounts of Pemex's safety and environ*mental record, suggesting* many more cities are at risk from similar explosions. *Proceso*, Mexico's weekly *news* magazine, claims the company had known about the gas leak for eight days without doing anything about it.

The tarnishing of Pemex's image may, in the long run, make it easier for the technocrats in charge of the government to push ahead with sweeping reforms of the company, some of which are being demanded by the US in negotiations over the North American free trade agreement.

Mr Rogelio Ramirez, an economic consultant, said: "I would be very surprised if the government did not take this opportunity to shake up Pemex."

The government may for example loosen restrictions on allowing private capital into *energy, break Pemex up into* holding companies, and force a much more vigorous and public audit of its operations and finances.

Until now the president has shied away from a radical restructuring of Pemex, probably for fear of creating a backlash in the company that would damage productivity. Pemex's exports of $8.2bn a year account for about 26 per cent of the country's total.

Pemex thus still remains a law unto itself, whose operations are a guarded secret. The lack of accountability appears to have created a culture of negligence, in which accidents are not uncommon. Last year a refinery *blew up* killing at least six and injuring 329. In 1984 tanks of liquid gas *exploded killing 400*.

Pemex shoulders the blame with local government officials, whose actions before and after the explosion underline the huge gap between the apparently articulate, clean-cut ministers in charge of Mexico's federal government, and politics at a local level. It appears officials, apart from failing to enforce environmental regulations, repeatedly ignored warnings that gas was leaking from the sewerage, and failed to evacuate residents when there *was still time*.

Despite the evidence, the governor, Mr Guillermo Cosio, who has long been tainted by charges in the press over corruption and nepotism, said at first that no government official was at fault. Then he claimed that residents had been warned, but behaved like *little children* in doing exactly the opposite to what they were told. Critics claim that, in ordering bulldozers to clear up the rubble before all bodies were found, local authorities may have caused more deaths.

Mexicans are concerned that similar accidents could occur elsewhere, and are demanding even more forcefully that the government enforce and business obey Mexico's environmental and safety laws.

An editorial in Epoca, a weekly magazine, captured *some of the public mood when* it said: "All of us in the cities live in constant risk. We live without fire escapes; meeting halls do not have emergency exits, and when there are, they are closed; gases, liquids, and other dangerous substances are released as if they were nothing ... It is not possible to manage the lives of millions of Mexicans under a dictatorship of casualness. And that is what we have been doing *so disgracefully* for a long time."

MEXICO'S current account deficit rose to $13.3bn (£7.5bn) last year, $2.2bn more than the government's forecast last November and almost double 1990's deficit of $7.1bn, writes *Damian Fraser in Mexico City.*

However, in its annual report the Bank of Mexico claimed the deficit attracted its own financing and, because public finances were healthy, was of no cause for concern. Mexico ran a record surplus of $20.2bn in the capital account last year, helping push up reserves to $17.55bn at the end of 1991 which, in turn, was $7.39bn more than at the end of 1990.

The deficit was fuelled by a rapid increase of imports to $38.2bn, 22.9 per cent more than in 1990, against stagnant exports. The bank drew comfort from performance of non-oil exports, up 15.9 per cent, and slower growth of consumer imports.

Critics charge that the roughly 9 per cent real appreciation of the peso against the dollar last year helped trigger the deterioration in the trade position.

The bank said that ***foreign investment*** **amounted to an impressive $12.3bn last year, of which $7.5bn was portfolio investment and $4.8bn direct physical investment. The portfolio investment was fuelled by successful share offerings in Telmex, the privatised telephone company, and huge foreign appetite for other blue-chip Mexican equity and peso denominated debt.**

Argentina introduces tough curbs on technology exports

By John Barham *in Buenos Aires*

ARGENTINA has introduced strict new controls on exports of sensitive technologies, in a further step towards complying with international pressure to curb development of its nuclear and missile industries.

Mr Guido di Tella, foreign minister, said yesterday the controls would unify Argentine policy and align it with existing international controls on weapons of mass destruction, nuclear technology and technologies with dual civilian and military applications.

He said the loss of existing sales to countries without safeguards would be replaced by new *markets in the US. He* added negotiations between an Argentine company whose nuclear exports to Iran were banned earlier this year and US companies were "well advanced".

Mr di Tella said the new controls would mean that Argentina could be taken off an international blacklist of "unreliable" countries, allowing it to import advanced technologies like supercomputers.

Over the past two years Argentina has responded to intense international pressure, especially from the US, to halt development of nuclear and missile technologies that were a centrepiece of the once-pow*erful military-industrial com*plex.

It scrapped the controversial Condor II intermediate-range missile project and opened its nuclear industry to international inspections.

It intends to sign the 1967 Tlatelolco treaty this year, which bans nuclear weapons in South America.

Despite the government's evident intention to comply with safeguards, there is concern over continuing leakage of sensitive technologies through informal military channels and the emigration of highly trained scientists to Middle East countries.

UWP triumphs in St Lucia election

By Canute James in Kingston

MR John Compton is to be sworn in this week as prime minister of St Lucia for a third consecutive term, following the victory of his United Workers Party in a general election on Monday.

Preliminary results have given the UWP 11 of the 17 seats at stake, with the others going to the St Lucia Labour party led by Mr Julian Hunte.

*Mr Compton overcame dam*aging allegations during the campaign that he had been having an affair with an 18-year-old schoolgirl for the past four years.

While not denying the claims, the prime minister said they were part of a "smear campaign" and that what he did in his private life was a matter only for himself and his family.

Mr Compton has indicated that this would be his last term.

His victory has cleared the way for St Lucia and the other Windward Island nations *Grenada, St Vincent* and the Grenadines and Dominica – to create a political union.

He pledged to hold a referendum on a European Community-style political union by the end of the year. Mr Compton argues such a union is needed to help the islands compete economically.

Political unity is supported by Mr Compton, but not by Mr Hunte who had threatened to withdraw St Lucia from moves towards a federation.

Colonial stamps 'duped collectors'

By John Mason

UNSUSPECTING stamp collectors were the victims of a massive swindle involving the manufacture of stamps for colonial governments with deliberate printing mistakes, a London court was told yesterday.

Commemorative stamps printed with errors such as wrong colouring, inverted watermarks and faulty perforations included some issued to mark the royal wedding of Prince Andrew and Miss Sarah Ferguson, the jury at Southwark Crown Court heard.

Some stamps produced to mark the Queen's 40th wedding anniversary were printed with an inverted picture.

A set to celebrate the Prince and Princess of Wales 1981 wedding rose in value from £7.50 to £70 because it had been marked with a specimen overlay.

Other deliberate mistakes in the printing of stamps included a picture of a Model T Ford car with right hand, rather then left hand, drive and a tennis design with the ball airbrushed out.

Opening the prosecution against seven businessmen, Mr Michael Worsley QC, said stamp collectors had been willing to pay for the rarity value of such stamps which they had been told had slipped through the normal checking procedures.

"The public thought that they were buying rare errors. They thought they were buying a genuine mistake by the printers and were paying a price based on that. They were being deceived," Mr Worsley said.

Seven businessmen deny various charges including conspiracy to defraud and fraudulent trading between October 1985 and July 1989.

The defendants are Mr Clive Harold Feigenbaum, a former chairman of Stanley Gibbons stamp dealers, Mr Aart Johan Lagerwaard, Mr Ronald Wallen, both stamp dealers from Southampton, Mr Frederick George Hughes of Surrey, Mr Ronald Frederick Grover of Hants, Mr Brian Pillinger, managing director of Bristol stamp dealers Urch Harris and Mr John Charles Smith, a director of the Crown Agents Stamp Company.

Mr Feigenbaum was the "mastermind" behind the swindle, Mr Worsley suggested. He owned Format International, the printing company which carried out the work and which was at the centre of any fraud. He also owned two other stamp dealing firms involved in selling the bogus stamps to collectors.

When police searched various premises, they found enormous quantities of the bogus stamps along with bags full of instructions to the printers.

The fraud involved an enormous trade in the bogus collectors items, Mr Worsley said. The jury would only be shown a sample of the stamps found. Had all the stamps to be produced in court been sold at their catalogue value, then philatelists would have been defrauded of tens of millions of pounds.

The case continues.

Lloyd's to consider levy to assist worst-hit Names

By Richard Lapper

THE COUNCIL of Lloyd's of London, the insurance market's ruling body, will today discuss a plan to provide help to Names worst affected by recent insurance losses.

Several hundred Names – whose assets provide the market's capital base – face bankruptcy as a result of losses in the 1989 underwriting year.

Mr David Coleridge, Lloyd's chairman, said yesterday that Lloyd's was examining the possibility of providing help by means of a levy on all Lloyd's Names.

But he said today's discussions by the council would be exploratory. "I don't expect a ready made decision. There is nothing cast in concrete but I do hope to have a view as to whether anything should happen."

This would be the first time the issue of whether members should help Names "stranded along the way" has been discussed in the market. Mr Coleridge stressed: "You can't change the idea of how Lloyd's works in one meeting."

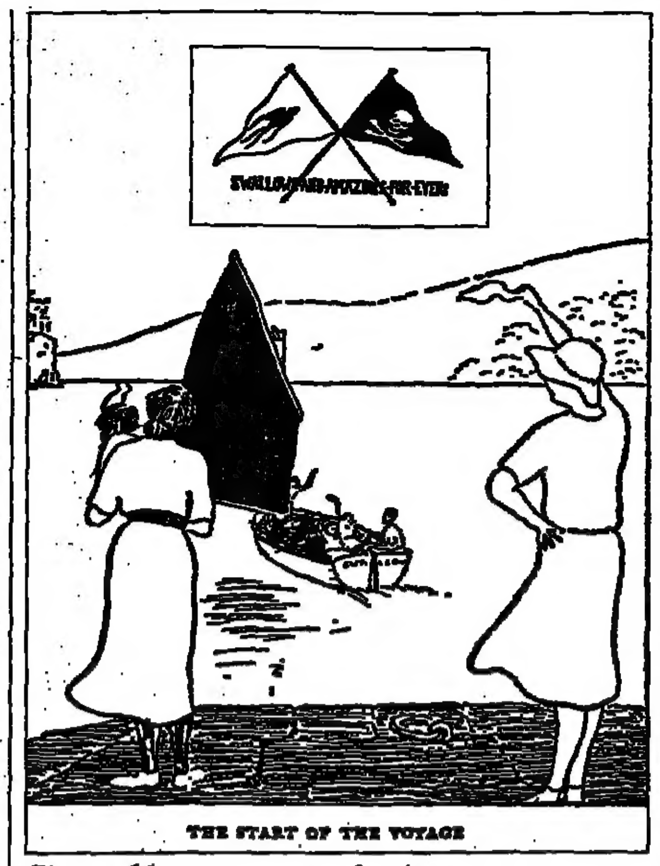
It was likely that any proposal would be widely discussed among agencies, brokers and underwriters on the market and would be submitted to a referendum of Names.

A main purpose of any plan would be the end of litigation affecting Lloyd's. More than 2,000 Names are currently party to legal actions against their agents or Lloyd's itself.

The council is also expected to approve regulatory changes needed to pave the way for the introduction of reforms recommended by the Rowland task force last January.

But implementation of the reforms, which are designed to improve the efficiency of the market and strengthen the rights of Names, could be slower than originally envisaged.

Mr Coleridge said Lloyd's would need to consult a number of regulatory bodies to see how the changes would affect the market's trading position. "We want to be certain that the whole thing is in order. We don't want to introduce the reforms and then find we've brought the whole temple down."



THE START OF THE VOYAGE

Swallows and Amazons sail to the rescue of an ailing boatyard business

By Jimmy Burns

THE Nancy Blackett, a 28-foot cutter once owned by the writer Arthur Ransome, has come to the aid of an ailing family-run boatyard business.

The cutter was named after Ransome's heroine in his most famous book, the children's adventure story Swallows and Amazons. Nancy was the captain of the Amazon, "a fine little ship, with varnished pine planking."

In recent years, the Nancy Blackett has been less than fine, languishing in Scarborough harbour, sunk and a danger to shipping.

But now, with advice from the Rural Development Commission, the cutter has been partially refitted by Harbour Marine Services, a small boatyard in Southwold, Suffolk.

A year ago the owner of the business Mr John Buckley hit by cash flow problems brought on by lack of business expertise approached the Commission, the government agency which promotes the economic and social well-being of rural communities.

The boatyard's owner Mr John Buckley said yesterday: "It's amazing what you spend without realising it. The Commission sent an adviser along who told us how to keep a tighter control on things, how to talk to the bank manager, and talk back to him."

Advice has included taking on the contract to complete refitting of the Nancy Blackett, which is worth only £3,500 per year in maintenance (some 10 per cent of the boatyard's annual turnover) but is expected to bring in many additional customers, both local and international, because of the popularity of the boat.

Illustration by kind permission of the estate of the late Arthur Ransome, Penguin Books, and Jonathan Cape

Britain in brief

Pro-Europe think-tank established

A new think-tank – the first to link a pro-European Community stance with the market-driven economic philosophy associated with the Thatcherite radicalism of the 1980s – has emerged at Westminster.

President of the European Policy Forum project is Mr Graham Mather, who recently quit after five years as director general of the right-wing Institute of Economic Affairs following continued political differences with the IEA's Euro-sceptic founders.

The EPF, chaired by Lord Hunt of Tanworth, a Cabinet secretary to four prime ministers, is described as "a non-partisan combination of discussion forum, channel for international contacts and think-tank."

Membership of its governing body includes Lord Alexander of Weedon, National Westminster Bank chairman; Sir Christopher Tugendhat, former Tory EC commissioner; Lord Holme, leading Liberal Democrat policy adviser; Sir Roy Denman, former EC ambassador to Washington; Mr Goron Tunhammar, president of the Swedish Employers' federation; Mr Samuel Brittan, assistant editor of the Financial Times and Mr Martin Jacques, former editor of Marxism Today.

Private school rolls decline

Pupil numbers at independent schools are down for the first time in nine years, with boarding schools bearing the brunt of the decline, according to figures issued by the Independent Schools Information Service.

The census shows that fees rose by an average of 12 per cent on last year, nearly three times the rate of inflation, taking average boarding fees to £8,625 a year and day fees to £3,774. Overall, private pupil numbers have declined by only 0.2 per cent in the last year: in January, 475,288 pupils attended 1,364 schools affiliated to Isis. But the number of boarding pupils is sharply down – by 4 per cent on the year making a total drop of nearly 11 per cent in three years.

Call for safeguards

Companies should separate the functions of chairman and chief executive as one of a number of safeguards against malpractice, Mrs Barbara Mills, the new director of public prosecutions, said.

She suggested companies appoint audit, remuneration and nomination committees, make sure no individual is sole signatory to a company bank account, and introduce effective non-executive directors.

Judges may lose their wigs

Ceremonial wigs may be going out of fashion after almost 300 years.

As commercial court judges yesterday debated a proposal from the Commercial Bar Association that barristers and judges should no longer have to wear wigs, the new Speaker

of the House of Commons, Miss Betty Boothroyd, took her seat without the familiar wig.

Barristers have complained that wigs are uncomfortable and old-fashioned, and some say they intimidate the public.

The commercial judges reached no conclusions but recommended widening the debate.

Nurses decline to back reform

An attempt to force the governing body of the Royal College of Nursing to declare its support for the aims of the government's National Health Service reforms was rejected by the RCN annual congress.

An emergency resolution called on the RCN council to declare its support for the aims of the reforms in the aftermath of the general election.

Trident role questioned

The rationale for Britain's Trident strategic nuclear deterrent can legitimately be questioned in view of US and Russian disarmament, a cross-party parliamentary committee said in a report.

The government had maintained its view that Trident was a minimum deterrent, and this had apparently been accepted by Mr Boris Yeltsin, the Russian president.

"None the less, the justification for Trident, the number of warheads to be deployed and the relationship of the scale of the strategic deterrent to that deployed by any potential enemy are once again legitimate political and military issues," the report said.

Labour leader ballot closes

Mr John Smith, the shadow chancellor, confirmed his head start as far-away front runner in the Labour leadership contest by winning nominations from 162 MPs or about 60 per cent of the parliamentary party.

His lone rival Mr Bryan Gould, the shadow environment secretary, polled 63 votes, only narrowly passing the 55 vote qualifying hurdle and leaving him a mountain to climb before the July 18 run-off at a special conference of Labour's electoral college. But the contest for the deputy leadership delivered a surprise when Mrs Margaret Beckett, widely seen as Mr Smith's "dream ticket" partner polled 88 votes – markedly lower than expected in what is now a fierce three-way battle.

COMPANY NOTICES

LANCASHIRE & YORKSHIRE ASSURANCE SOCIETY

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirteenth Annual General Meeting of the Lancashire & Yorkshire Assurance Society will be held on Wednesday 20th May 1992 at 12.00 noon at the Rotherham Moat House, Rotherham.

AGENDA

1. To receive the Chairman's Report for 1991.
2. To receive the Accounts for the year ended 31st December 1991 and the Auditors Report thereon.
3. To re-elect Mr. M. J. Booth as a Member of the Committee of Management.
4. To approve the appointment of Mr. K. A. James and Mr. R. K. Dyson as Members of the Committee of Management.
5. To transact any other ordinary business of the Society.

By order of the Committee of Management, J. C. Ramsden CBE, Secretary, 22nd April, 1992 Moorgate Hall, Moorgate Road, Rotherham, S60 2AW.

Any member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Society.

A Form of Proxy may be obtained from the Registered Office of the Society and, in order to be valid, must be deposited at the Registered Office not less than 24 hours before the time appointed for holding the Meeting.

THE ROYAL BANK OF CANADA

U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 30th April, 1992 to 29th May, 1992 has been fixed at 4⅝% per annum. On 29th May, 1992 interest of U.S. $3.272569 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 29th May, 1992 will be determined on 27th May, 1992.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

LEGAL NOTICES

IN THE MATTER OF COLOURBOX COSMETICS LTD AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 24th April 1992.

Dated this 24th April 1992
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

NOTICE TO CREDITORS TO SUBMIT CLAIM
IN THE MATTER OF COLOURBOX COSMETICS LTD AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN, that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before 19th June 1992, to send in their full forenames and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned: Peter S. Dunn, FCA, of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 24th April 1992
Peter S. Dunn, FCA, Liquidator

LEGAL NOTICES

RUPERTS CLUB LIMITED, PORT FARNWORTH LIMITED, FULLAHEAD LEISURE LIMITED, PORT ST ASAPH LIMITED

Registered Nos: 1220979, 2387522, 1918630, 1917127

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at the offices of Latham Crossley & Davis, Arkwright House, Parsonage Gardens, Manchester, M3 2LE at 11.30 am on Tuesday 5th May 1992 for the purpose of having laid before it a copy of the report prepared by the administrative receiver under Section 48 of the said Act. Creditors are only entitled to vote if: (a) they have delivered to us at the address shown above not later than 11.30 am on Friday 1st May 1992, written details of and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with us a proxy which the creditor intends to be used on his behalf.

Dated 21st April 1992.
D.A.T. WOOD, Joint Administrative Receiver.
Creditors may obtain a copy of the report, free of charge, on application to the Administrative Receiver at the address shown above.

Notice of appointment of joint administrative receivers

SOUTHERNHAY LIMITED

Registered number: 772797. Nature of business: Carton Manufacturer. Trade classification: 10. Date of appointment of joint administrative receivers: 13 April 1992. Name of person appointing the joint administrative receivers: Lloyds Bank plc

LYNN ROBERT BAILEY and CHRISTOPHER JOHN BARLOW, Joint Administrative Receivers (Office holder nos 6496 and 552), Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA

CONTRACTS & TENDERS

INTERNATIONAL PUBLIC TENDERING

Director of the Old-Town Hospital in Bratislava, Czechoslovakia, issues an international tender for project, realisation and financing of the renovation and construction of the Hospital on a turn-key basis.

Companies experienced in construction of health centres can obtain tender conditions and necessary information at the Directors' office at the Hospital not later than May 15th against payment of Kčs 10,000 - and submitting the list of references.

Address: Old-Town Hospital
Bezrukova 5
815 26 BRATISLAVA
Czechoslovakia

Tel: + 42-7-499 583
+ 42-7-499 880

Fax: + 42-7-53 630

LEGAL NOTICE

Notice of Creditors' meeting under section 48(2) of the Insolvency Act 1986
Company No: 2263368
Registered in England
TEAMORDER LIMITED (in Receivership)
(formerly Connector Moulds (Scotland) Limited (in Receivership))

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency act 1986, that a meeting of the unsecured creditors of the above company will be held at the offices of 2 Cairn Court, Nerston Industrial Estate, East Kilbride G74 4NB, Scotland on 8 May 1992 at 11.00am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors committees by or under the Act.

Creditors are only entitled to vote if:
(a) they have delivered to us at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ no later than noon on 7 May 1992 written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ; photocopies (including faxed copies) are not acceptable.

Date: 2 April 1992
T R Harris, C J Hughes, Joint Administrative Receivers. Note: Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

Notice of Creditors meeting under Section 48(2) of the Insolvency Act 1986
Company No: 2564282
Registered in England
TOPICDALE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above company will be held at Melrose House, 42 Dingwall Road, Croydon, Surrey CR0 2NE on 12 May, 1992, at 3:00 pm. for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to me at the address above, no later than noon on 11 May 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated this 21 day of April 1992.
NIGEL JOHN VOOGHT, Joint Administrator Receiver

No. 002756 of 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
FOSTER ELECTRICAL SUPPLIES LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 17th day of March 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Capital of the above-named Company from £2,343,100 to £2,150,803.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 11th day of May 1992.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the proposed reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 29th day of April 1992.
SPEECHLY BIRCHAM,
Bouverie House,
154 Fleet Street,
London EC4A 2HX.
Ref: PAK/MTD/091120/11022
Solicitors for the above named Company.

HARDYMEAD LIMITED - IN LIQUIDATION

Resolution of the Creditors of Hardymead Limited at the meeting of creditors held on 18 March 1992 at the Gable House, 239 Regents Park Road, London, N3 3LF convened pursuant to Section 171(2)(b) of the Insolvency Act 1986. It was resolved that:
1. Mr M S Langley be removed as liquidator of the company and, that;
2. Mr D J Corney at 43 Temple Row, Birmingham B2 5JT be appointed as liquidator in his stead, and that;
3. The appointment of Mr D J Corney be certified by the Chairman of the creditors' meeting in accordance with Insolvency Rules 1986, as amended.

Chairman of the meeting Dated 18.3.92

PERSONAL

Major pledge to fight EC labour code

By Michael Cassell

MR JOHN MAJOR, the UK prime minister, yesterday pledged Britain to play a central role in a Europe of nation states but warned that he intended to "hold at bay" the EC social chapter, which would damage British industry and destroy jobs.

Mr Major, whose speech to the annual conference of the Institute of Directors, the leading business lobby group, brought him a standing ovation, said he was not prepared to see "a centralised, United States of Europe" which could never be in the interests of the British people.

The prime minister emphasised that, when Britain assumes the EC presidency in July, the completion of the single market would be its first priority.

But his speech made clear Mr Major's determination to restrain the Community from taking decisions which he believed would damage Britain or which could better be taken at national or local level.

Referring specifically to the EC working time directive, which seeks to change existing employment laws and to restrict working hours, Mr Major said he was not prepared to wave through plans that would add £5bn to the costs of British industry.

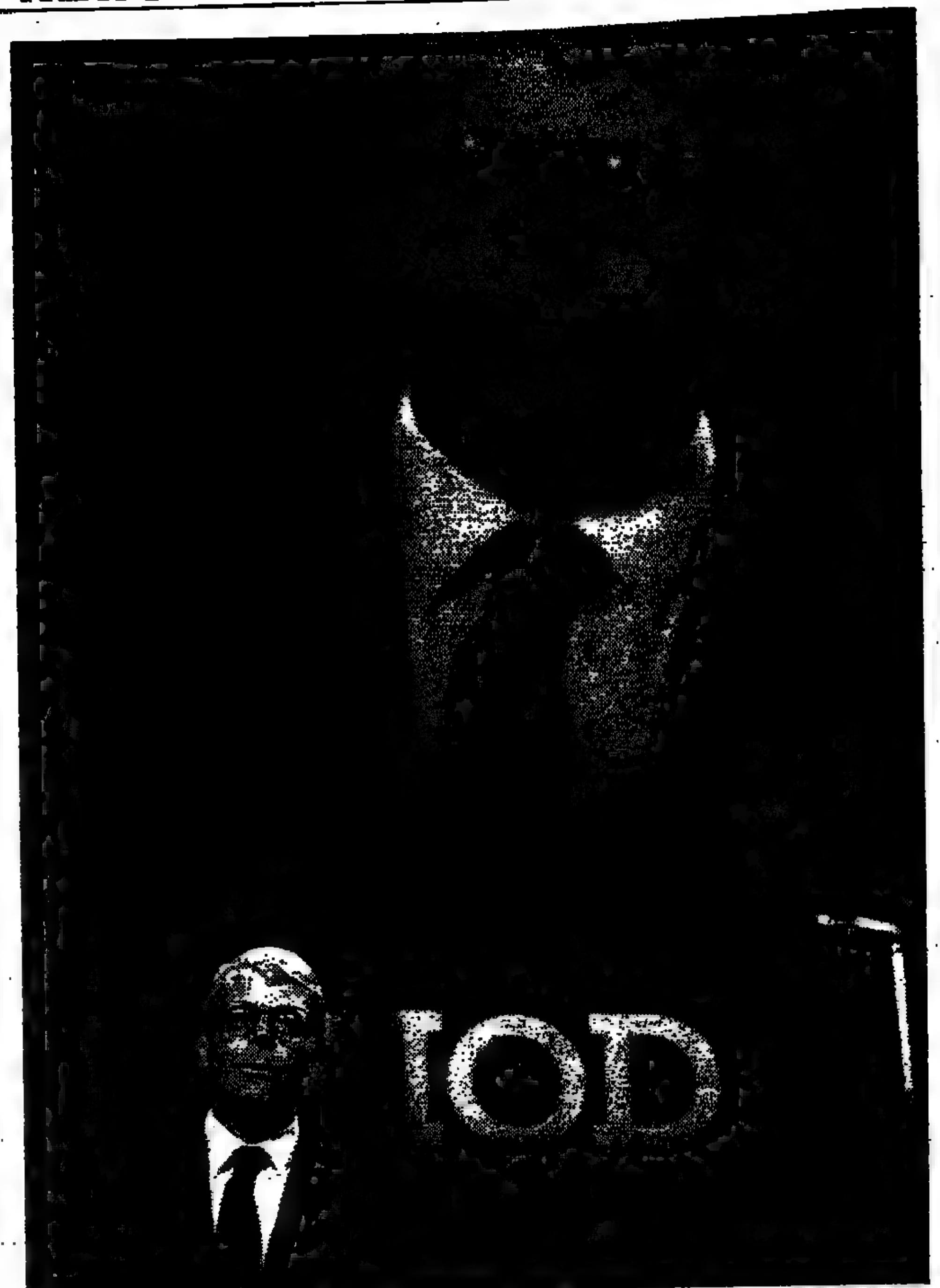
Attacking the proposals, he said he wanted it clearly understood throughout the Community that unnecessary interference with working practices was bad for business. He believed strongly in deregulation and in getting government off the back of business and was not prepared to let Brussels intervene in areas Westminster had decided to leave alone.

On the working time directive plans, he added: "They are not for us. No one should be in any doubt. A Conservative government will strongly oppose such damaging regulation wherever it is found and we will not readily acquiesce in any attempts to impose these costs on our industry."

He said legislation would be introduced shortly to make unlawful the automatic deduction of union membership dues without written authorisation. Seven days' notice of strike action would have to be given, following a ballot.

Mr Major said that, despite the recession, there remained a new spirit of enterprise throughout Britain, with government policies making Britain a magnet for overseas' investment. He added: "It is high time people stopped writing down our skills and damaging British manufacturing industry."

Britain, he claimed, was set for a new era of prosperity, the foundations for which had been laid by the recent election victory. The government intended to "root the values of enterprise, choice, ownership and opportunity even deeper into the bedrock of Britain."



Photograph by Ashley Ashwood

John Major: Not prepared to see "a centralised, United States of Europe"

VW chairman calls for change in work attitudes

By Michael Cassell

DRASTIC CHANGES will be required in longstanding attitudes governing industrial relations if the European economies are to prosper, Dr Carl Hahn, chairman of Volkswagen, told the IoD conference.

Dr Hahn, whose company this week faces the prospect of strike action among its workers, said the Marxist concept of a fundamental antithesis between labour and capital had been consigned to the "dustbin of history". But employers had yet to dismantle the old demarcations which still characterised the workforce.

He said the internal world of the company could no longer be one of "upstairs and downstairs". At all levels of corporate life, entirely new attitudes and qualifications were needed if businesses were to meet successfully increasingly complex challenges.

Employers, Dr Hahn stressed, had to create a climate in their companies which permitted all staff to contribute to the success of the business.

The best solution to harmonious progress was to bring all workers closer to the creation and management of resources and to invest them with a sense of ownership through increased participation and responsibility.

UK EMPLOYERS QUARTERLY SURVEY

CBI sees confidence grow

By Peter Marsh, Economics Staff

THE Confederation of British Industry yesterday gave an upbeat view of prospects for manufacturers later this year, though warned that the timing and strength of the expected recovery was uncertain.

The assessment came in the CBI's latest quarterly survey of industry trends, conducted among 1,328 manufacturing companies in 50 sectors between 27 March and 13 April. Of the total responses, 94 per cent were filed prior to the general election result.

The survey said output and orders had continued to fall over the past four months, but at a lower rate than last year.

Business optimism had shown its biggest jump for nearly four years, supporting indications that a hesitant upturn was either already happening or about to occur.

Factors that could hold back the recovery included slow world growth which could damp export demand; high company and consumer debts; and a continuation of high interest rates caused by the UK's commitment to the European exchange rate mechanism.

Another negative aspect was reduced spending on manufacturing investment. The CBI believes this will fall by about a third by the end of this year compared with late 1990, prior to the onset of the UK recession.

This is not the first time the CBI's quarterly survey has pointed to recovery. Last October it provided similar indications about an imminent upturn, a message which turned out to be false.

However, Mr Andrew Sentance, the CBI's director of economics, said the latest survey gave stronger reasons for believing a revival was on the way. "It is giving us the strongest indications for two years about the future levels of orders and output," he said.

Sterling thrives on overseas support

Peter Marsh finds Japanese, German and US investors more confident in UK after election

STERLING has proved one of the main beneficiaries of the Conservatives' election victory just under three weeks ago.

Against the D-Mark, the pound has gained more than 10 pfennigs, as a result of the biggest sustained burst of international support for sterling since Britain joined the European exchange rate mechanism (ERM) 19 months ago.

Yesterday sterling closed in London at DM2.9375, unchanged on the day, but within just over 1 pfennig of its central ERM rate against the D-Mark of DM2.95.

Behind the rise – which has lifted sterling from a low of DM2.835 on April 4 – is the fact that investors from Japan, Germany and the US interpreted the Conservatives' convincing election performance as underlining Britain's commitment to the ERM.

It removed nagging doubts that a new government might devalue the pound within the 10-currency grid, as part of a bid to engineer a reduction in the high level of UK interest rates.

It caused international investors – many of which had avoided sterling purchases during the pre-election uncertainty – to move funds out of currencies such as the D-Mark and the dollar and into sterling.

One of the side effects of the stronger pound has been to help the government sell about £4bn of gilt-edged securities (gilts) in recent weeks – of which up to about a half are believed to have gone to overseas buyers.

A second factor helping sterling is that many in financial markets believe that over the next few months Britain will move sterling from its broad, 6 per cent band in the ERM to join the majority of nations in the system whose currencies are tied by narrow, 2.25 per cent bands.

This should reduce still more the possibility of any sharp falls in sterling, and is seen as a further reason to buy it.

Also increasing confidence in the pound is economic evidence of the past few weeks pointing to a weak UK economic recovery later this year.

Fourth, the government appears to be in no hurry to cut base rates, held at 10.5 per cent since September, giving investors another reason to buy sterling.

Finally, sterling has benefited from the negative thoughts many investors have about the economic and political prospects of other nations – including Germany, France and Italy – leading to a tendency to switch funds out of these countries' currencies and into the UK's.

But for all these helpful influences, any temptation to wax too lyrical about sterling's rise should be resisted. In some senses, the pound's increase in value has simply corrected its fragility prior to the election, when it was the weakest member of the ERM grid. It is now fourth from bottom, above the Danish krone, the French franc the Italian lire.

Also, investor sentiment could easily switch away from sterling, in the event of unsettling factors such as a burst of inflation, or signs that UK recovery is running out of steam.

Perhaps the best way of looking at sterling is to consider the difference between the yields on UK gilts compared with the equivalent government bonds issued by Germany. That underlines the difference in sentiment towards the pound compared to the D-Mark, the ERM anchor because of its record as the system's most stable currency.

Prior to the election, 10-year gilts had yields a full 2 percentage points higher than the corresponding German bonds – indicating the extra payment demanded by international investors for holding sterling assets as opposed to those denominated in D-Marks.

After sterling's recent rise (and a similar increase in gilt prices, paralleled by a decline in yields) the yield gap has been brought down, but only to about 1.4 percentage points. Although some gilt specialists reckon this will decline further to about 1.2 percentage points by the end of 1992, the difference is still substantial – reinforcing the distance the pound has to travel before it is regarded on financial markets as being anything like such a good bet as the German currency.

● Charles Dickens has replaced Florence Nightingale on a new, smaller £10 note which was unveiled today by the Bank of England. The note, to be issued tomorrow, keeps the brown/orange colour of its predecessor but is about one centimetre smaller all round. A Bank of England spokeswoman said the new size was in keeping with the recent issues and would be more convenient to handle.

The most competitive companies
leave as few questions up in the air as possible.

▲

To find their answers, 90% of the world's
airlines rely on data communications networks
created by Northern Telecom.

nt northern telecom

Technology the world calls on.

A leader in digital communications, supplying equipment in over 80 countries.

BUSINESS AND THE ENVIRONMENT

Sweeping troubles under the rug

Carpet manufacturers are facing mounting pressure to recycle their products, writes Daniel Green

About 5m tonnes of old carpets are thrown out every year in Britain, more than 7 per cent of the country's industrial, commercial and construction waste. Recycling them is one of the toughest problems facing environmentally-minded companies.

The difficulty is that carpets are mixtures. They might include bitumen, latex, nylon or polyester as well as natural fibres such as wool or jute. Separating these components so they can be used again is expensive.

Yet a cheap solution will have to be found quickly. The supply of landfill sites, where most carpets are dumped, is limited. Government departments have a policy of encouraging recycling as an alternative. Already in Germany, carpets cannot be disposed of in landfill sites at all. Other countries and the European Commission are looking at the possibility of strengthening their rules on the use of landfill sites.

The pace of change is worrying the UK carpet industry. Some European countries may be asking for a recyclable carpet to be developed by the end of the century, according to Hugh Wilson of the British Carpet Manufacturers Association. "This would mean huge changes for the industry," he says. He has asked the European Commission what environmental plans it has for the carpet industry and is still waiting for a reply.

Some in the industry are not waiting. Companies in Germany are working hard to find a way to recycle carpets. "It's an emotive issue," says an executive at a German carpet manufacturer. "If we say we are close to being able to recycle carpets we will get lorry loads at our door tomorrow."

He is cautious about the effects of possible legislation. "The worst case is that anyone who sells a carpet has to take an old one back. The best we can hope for is that we will have to take only the carpets we knew would be coming back."

The German carpet industry is trying to pre-empt state controls and has set up an environmental group, Gemeinschaft unweltfreundlicher Teppichboden (GuT). GuT has instituted a voluntary seal of approval for carpets that are tested to be free of certain toxic materials. Its members have also set up programmes to investigate waste and recycling. Companies from Belgium, the Netherlands and the UK have also joined GuT.

This embracing by manufacturers of the environmentalists' cause is not universally welcomed. "The Germans are making crosses for their own backs," says the British Carpet Manufacturers Association.

But ICI Fibres, an associate member of GuT, says that in Germany companies must be seen to be taking a responsible attitude. The ideal technological solution would be to have a carpet made entirely from polyester or nylon. When it reached the end of its life it would simply be melted down and re-used – either made into more carpets, or into low-performance plastics such as for fencing posts.

Disposing of old carpets may cause the price of new ones to rise

But this is several years away because it is difficult to make a carpet that uses the same material for both the pile and the backing.

The Manchester-based British Textile Technology Group has another solution in mind. It wants to develop a hand-held fibre tester that will identify automatically the materials used in a carpet. It has applied for Commission funding to develop the device.

The British Carpet Manufacturers Association, on the other hand, favours a return to the old days. Traditional carpets are made from wool with a jute backing. When worn out, they could be burnt in power stations to generate electricity, says the Association.

Ironically, carpets have been important in recycling for many years as an end product. Parts of carpets can be made from old tyres, insulating panels and flexible foam.

Now the industry is faced with the prospect of millions of tonnes of used carpets, grit and all, being dumped on its doorstep. And users of carpets, in offices, factories and homes, may have to pay more for new carpets to help pay for the cost of getting rid of old ones.

In Germany, the industry is determined to take the initiative from the legislators. Any carpet manufacturer hoping to sell into Europe's biggest market will have to conform to the rules set there. Germany is setting the standards. The rest of Europe may have to follow its lead.

Boston buries its traffic jams

Victoria Griffith reports on a scheme to put the city's main highway underground

When George Bush signed a \$151bn (£85bn) highways bill in December last year, America's top road construction companies received the news with champagne toasts. But they were unprepared for the backlash against new highways by environmentalists in the US.

Despite America's love affair with the car, many states, including New Jersey, Colorado, Maine and Florida, are rejecting highway expansion programmes in favour of mass transportation and other environmentally-friendly projects.

In Boston a \$5.6bn highways investment, 90 per cent of which will be funded by Washington, was nearly overturned by environmentalists convinced that fewer traffic jams would encourage more car usage, and with it more pollution.

The Conservation Law Foundation, a Boston ecological group, for months fiercely opposed adding more highway space to the city. But the foundation convinced city planners to modify the plan. "I am very happy with this project," said Stephen Burrington, lawyer for the Conservation Law Foundation. "I hope it serves as a model to other cities facing similar problems."

The Boston project, awarded to construction giants Bechtel and Parsons Brinckerhoff, will sink the city's central artery underground, widen it and improve road access in other parts of the city.

For more than a generation, Bostonians have reluctantly tolerated the highway, which cuts through the heart of the city. "People here look at the artery as a hulking green mass which carves their city to bits," said Peter Zuk, the project's head.

When the offending highway is buried beneath the ground, the city plans to put parks, city avenues and a few high-priced real estate developments in its place. Most important, as far as the Conservation Law Foundation is concerned, is the city government's agreement to throw \$4bn into public transportation over the next few years and place strict limits on parking in the downtown area. The foundation settled its lawsuit against the project after the administration made these concessions last month.

Despite widespread support for the project, reaching a consensus has been painstaking. Dozens of special interest groups approached the city with legitimate concerns. Archeologists insisted on a project delay to give them a chance to excavate the site.

Neighbourhood activists worried that the digging would send thousands of rats scurrying around Boston. They forced the city government to allocate \$80m to a pest control scheme.

Fishermen have been latest to complain. The project includes an underwater tunnel through Boston's harbour, and they were concerned that blasting would disturb the fish population. As a result, the city declared a moratorium on blasting during spawning season.

Delays caused by vying interests have caused city planners to move back the estimated completion date from 1998 to 2000. And further complications would make more delays likely.

The project, which represents the largest urban highway project ever undertaken, is still far from problem-free. No one knows, for instance, what the city will do if it comes across hazardous waste during digging. And restaurant and shop owners in the city's Italian district, which borders the artery, are nervous that customers will be put off by construction.

No one doubts the benefits to the city after the project is completed, however. Studies point to the variously estimated fortunes Bostonians will save by spending less time in traffic.

The new highway should improve truck shipments to and from the city. If everything goes according to plan, Bostonians believe the scheme will be a perfect marriage between economic and ecological development.

Noise goes out with a bang

By Andrew Baxter

On a trip to Hong Kong in the early 1980s, Ulrich Schoene recalls seeing an old mattress wrapped around a hydraulic hammer to muffle the noise as it toiled away on one of the colony's construction sites.

A rough and ready solution, perhaps, to the noise from large hammers – or breakers – attached to the booms of heavy-duty excavators. Hydraulic hammers, invented by Krupp Maschinentechnik in 1963, may be one of the most economical tools available to the building trade and other industries, but few would deny they are a noise nuisance, especially in residential areas.

Increasingly, says Schoene, head of Krupp Maschinentechnik's construction division, noise is being seen as pollution. Companies such as Krupp, which claims about 30 per cent of the world hydraulic hammer market, Sweden's Atlas Copco, and Furukawa of Japan, are being forced to respond.

The pressure takes two forms: the first is a demand for quieter hammers, which – along with many aspects of environmental legislation – originated in Germany a decade ago and is rapidly spreading.

In the past year or so, the ripple-effects have crossed the Channel. David Slack, UK marketing manager for Furukawa hydraulic breakers and rock drills, says: "Germany's always ahead, but noise is now very much a concern in the UK." The focus of attention, naturally, is demolition sites close to houses rather than quarries in thinly-populated areas.

Krupp, perhaps because it is German, makes more noise about its efforts to produce quieter hammers than some of its rivals. The product catalogue of Montabert, the respected French producer, stresses factors such as optimal production/weight ratios, output and reliability through design superiority and quality, with optional sound-proofing thrown in as an afterthought.

While marketing may differ, though, all the suppliers are taking a similar approach to noise reduction, and have come up with a solution that imitates the mattress. While the working parts are more or less unchanged, considerable improvements have been introduced recently in the housings that encase them.

Atlas Copco's TEX-H breakers have a sound-deadening material integrated in the housing, substantially reducing noise from the breaker itself, while in Krupp's Compact System, introduced three years ago, the percussion mechanism is suspended and damped by two special plastic elements.

The system is aimed partly at reducing the recoil on the excavator and improving driver comfort, but also reduces noise by 5-8 dB. At 8 dB, this means that to the human ear the noise appears to be only half as loud. Slack notes that the approach taken by the industry has added about 12-15 per cent to the cost of hydraulic hammers.

Krupp first began putting such boxes round hydraulic hammers about 10 years ago, and offers a system which can be retrofitted to previously unprotected hammers. But further reduction in noise levels is likely to be marginal, and that still leaves a lot of noise from the sharp end of the hammer, for which there is no effective solution.

The need to reduce noise, along with a second pressure on hammer users – limits on hours of operation – has prompted the equipment industry to introduce hydraulic concrete crushers as a substitute for hammers. The massive, scissor-like crushers are fitted to excavators and rip into concrete without the noise and vibration of hammering.

In environment terms, crushers have a further advantage over hammers. Their ability to separate the reinforcing bar from the concrete as they tear a building apart produces steel for recycling and pure concrete for fussy landfill sites.

FT LAW REPORTS

Digest of Hilary Term cases

LEWIS v ROOK
(FT, March 3 1992)

In 1968, Lady Rook purchased a property, Newlands, in Kent. Included in the purchase were two cottages known as Nos 1 and 2 Hop Cottages on the south boundary of the property, the total acreage of which was 10.5 acres. The distance between No 1 Hop Cottages and Newlands was 175 metres. In 1979, Lady Rook sold No 1 for £33,000. Section 102(1) of the Capital Gains Tax Act 1979 provided that a gain on disposal of a dwelling-house was not chargeable to tax "if the dwelling house or part of a dwelling-house has been the individual's only or main residence throughout the period of ownership . . ." The General Commissioners' found that No 1 Hop Cottages formed part of the entity which comprised the dwelling-house of Newlands and Mr Justice Mervyn Davies upheld the Commissioners' findings. The distance of the cottage from the house was not of paramount importance in the context of the Newlands set-up and was a matter of degree, he held. Allowing the Inland Revenue's appeal, the Court of Appeal stated that apart from the 175 metres between the cottage and the main house, Newlands was on the northern boundary and the cottage on the southern boundary of a 10.5 acre estate, separated by a large garden with no intervening buildings other than the greenhouses and tool shed. Those facts led to the inescapable conclusion that the cottage was not within the curtilage of and appurtenant to Newlands, and so was not part of the entity which constituted Lady Rook's dwelling-house.

KLEINWORT BENSON LTD v CITY OF GLASGOW DISTRICT COUNCIL, BARCLAYS BANK PLC v CITY OF GLASGOW DISTRICT COUNCIL
(FT, March 4 1992)

Two banks, Barclays Bank and Kleinwort Benson sued the City of Glasgow District Council in two separate actions, for £389,431 and £807,230 respectively, in relation to sums paid under interest rate swap agreements. Following on the House of Lords' decision in Hazell v Hammersmith and Fulham [1991] 2 WLR 372 that all such transactions were outside the powers of the local authorities and void *ab initio*, the banks claimed return of the sums on a restitutionary basis. On the present summonses, Glasgow sought declarations that the court had no jurisdiction in respect of the claims and asked that the actions be dismissed. The two actions came within the Jurisdiction and Judgments Convention 1968 (the Brussels Convention), which concerned "civil and commercial matters". Article 5(1) provided that a person domiciled in part of the UK might be sued in another part "in matters relating to a contract, in the courts for the place of performance of the obligation in question". The House of Lords having held that the swap transactions were void *ab initio*, the suggestion that the restitutionary claims were matters relating to a contract placed a severe strain on the language of Article 5(1). There was nothing in the cases to support such a conclusion, Mr Justice Hirst stated, in giving judgment for Glasgow and dismissing the actions for want of jurisdiction.

OFFICIAL RECEIVER v NIXON
(FT, March 6)

The Official Receiver had been given leave to apply out of time for a disqualifying order against Mr Nixon from acting as a company director. Mr Nixon had been appointed as consultant to two companies and he had resigned shortly before the receivers were appointed. The companies had left unsecured liabilities of £1.54m, and Mr Nixon was charged *inter alia* with failing to keep proper accounts and of allowing the one company to trade while insolvent. In considering an application for leave to commence disqualification proceedings more than two years from when the company became insolvent (see section 2), the court should take into account (1) the length of delay; (2) the reasons for delay; (3) the strength of the case against a director; and (4) the degree of prejudice caused to him by the delay (secretary of state for trade and industry v Desai, CA, November 29 1991). In the instant case, the Court of Appeal stated, in dismissing Mr Nixon's appeal against Mr Justice Vinelott's decision upholding leave granted to the Official Receiver to apply out of time, the evidence had disclosed a sufficiently arguable case that Mr Nixon was either a shadow or *de facto* director in the context of the actions he had taken on the companies' behalf.

POWDRILL AND ANOTHER v HAMBROS BANK (JERSEY) LTD
(FT, March 10)

Paramount carried on business as a charter airline and, in August 1989, an administration order was made in respect of the company. In the present proceedings, the joint administrators were alleging that in July 1989, the company had sums of £1.3m and £346,800 which were transferred from England to an account held by a Jersey company with Hambros Bank (Jersey). They asserted that the payments were transactions at an undervalue made when the company was unable to pay its debts and sought an order under section 238 of the Insolvency Act 1986 for the bank to restore the money to the company. The administrators obtained leave to serve proceedings out of the jurisdiction. At first instance, however, the judge acceded to the bank's application that that leave should be set aside. Allowing the administrators' appeal, the Court of Appeal stated that where a foreign element was involved, the court would need to be satisfied that the defendant was sufficiently connected with England for it to be just and proper to make the order against him. And in considering whether there was sufficient connection, the court had to look at all the circumstances of the case. If, in the present instance, the proceedings were to go ahead in England, the bank would not be precluded from raising the issue of whether there was sufficient connection with England as a defence.

WEBB v WEBB
(FT, March 11)

Mr George Webb bought a flat in Antibes in France and transferred it into the name of his son, Lawrence Webb. The purchase price of FFr600,000 was provided by the father and was placed pending completion in an account in the son's name at the Antibes branch of Barclays Bank. Both father and son used the property as a holiday home but the father then sought to have the use of the property to the exclusion of the son and to have his son transfer it into his name. In the ensuing High Court action, the judge held that Article 16(1)(c) in the 1968 Brussels Convention, which stipulated that only courts of the contracting state have the jurisdiction to decide on property (rights *in rem*) of the contracting state in which the property is situated, was not applicable. Adjourning the son's appeal, the Court of Appeal stated that the proper scope of article 16(1) might depend on identification of the policy underlying the article. The European Court was the appropriate forum to identify the correct purposive interpretation of article 16(1) in its application to the facts of the case.

MCALPINE HUMBEROAK LTD v MCDERMOTT INTERNATIONAL INC
(FT, March 13)

In a contract for construction of the deck structure of an offshore drilling rig, placed with the defendants, McDermott, four subcontracts were awarded to the plaintiffs, McAlpine. Delays ensued and the costs actually incurred by McAlpine came to £2.59m but it claimed £8.54m, maintaining that that sum was due under the contract, or as damages for breach of contract. The judge found that the contract had been frustrated and awarded McAlpine a *quantum meruit* equal to its costs plus 10 per cent profit, less £1m already paid by McDermott. He dismissed McDermott's counterclaim. Allowing McDermott's appeal, the Court of Appeal stated that the inherent probabilities, the contemporaneous documents, and the overwhelming weight of the oral evidence, all pointed in one direction. The cause of delay in starting fabrication was McAlpine's failure to qualify its procedures. It had nothing to do with the causes found by the judge so that the contract had not been frustrated and the lump sum price had not been displaced.

Aviva Golden

PEOPLE

Opportunity of 'secondary space'

Skidmore, Owings & Merrill, the Chicago-based architects which also sustains a significant interior design business, has hired Sara Galbraith as its new head of interior design in London.

Galbraith, an American who studied architecture at Berkeley, *has spent the past seven* years in London with Pfister Chadwick. Charles Pfister, whose design business was merged with an English firm on *his death a few years ago*, had once been a partner at SOM, so Galbraith – who had earlier worked for another ex-SOM partner – says the style at her new firm is familiar.

Being a trained architect, which many of her predecessors in design at SOM were not, is a decided advantage, she claims. "You have to know how buildings work – interior design is not just about picking fabrics and colours."

She says London offers marvellous opportunities at the moment, partly because of the upgrading of "secondary space", in other words refurbishing existing offices vacated for the plethora of recently completed buildings.

"Interior design has remained an important part of our business despite the collapse of the property market," adds SOM director Robert Turner. One of SOM's main claims to fame in London is as architects of Canary Wharf; the company says its involvement is "now virtually complete", leaving it "not overly exposed" to Olympia & York and its current troubles.

Galbraith's biggest current project is fitting out the new premises for the merged Manufacturers Hanover/Chemical Bank in Canary Wharf.

At Pfister Chadwick she had been working for Arthur Andersen which moves into the building in Kingsway being vacated by Chemical.

Bigger board for RBS

ROYAL BANK *of* SCOTLAND has promoted three of its top executives to the board as directors, bringing the total number to 25, the maximum allowed by the Edinburgh-based institution's articles of association. *This* means it has a bigger board than any of the big four clearing banks, which range from NatWest with 23 directors to Midland with 16. Royal Bank points out that unlike these institutions it has no regional boards with their own directors.

One of the three new executive directors is Peter Wood (above), the 44-year-old managing director of Royal Bank's financial services division who *founded Direct Line, the bank's* telephone-based insurance subsidiary. He sold his 25 per cent stake in Direct Line to Royal Bank in 1988 and entered a service agreement with the bank. In the year to September 30 1991 he earned £1.84m, most of it in the form of a bonus on top *of his £275,000 basic salary*, helped by Direct Line's good performance last year. He became head of financial services in late 1990 when the division was created by merging the bank's insurance, life assurance, leasing and fund management operations.

The other new executive directors are Norman McLuskie, managing director of the *operations division*; and *Tony* Schofield, managing director of branch banking.

London Clubs

■ London Clubs International, *the casino operator*, has restructured its board as part of its attempt to retain its gaming licences. Sir Gordon Booth, a former senior diplomat and ex-director of Hanson, joins the board as chairman. The present chairman, Richard Hanson, remains a non-executive director. Peter Byrne, currently managing director of the group's overseas operations, becomes gaming director. Tom Hodgson is joining the company from Grosvenor Clubs, a rival group, to fill the new post of compliance director.

The appointments follow the resignation *last* week of Max Kingsley, managing director, and five of his senior colleagues. Their resignation was widely seen as an attempt to secure the group's gaming licences after a raid on its London casinos last June. London Clubs has denied any wrongdoing.

Clive Discount

■ Michael Walker has moved up as the new chief executive of Clive Discount following the resignation of Nic Chamberlen, who becomes non-executive chairman.

Clive, one of the UK discount houses, has been owned by the *Prudential Insurance Company* of America (PIC) since 1986. Until recently it had functioned as part of the UK arm of Pru-Bache, the securities house, but the latter has severely cut back its London activities. Clive *is now a* wholly-owned subsidiary of PIC Holdings and Walker consequently moves on to the main board of the American company.

Chamberlen, 58, had been chairman of the European corporate finance section of Pru-Bache Capital Funding, and had been less involved in Clive in the past couple of years, leaving *Walker*, 48, largely running day-to-day operations from his position as managing director. Hence, while Chamberlen's other activities have been wound down, he has not returned to an executive position at Clive.

Moves in finance

■ Tekeshi Kirito, formerly md of Nikko Bank (Luxembourg) has been appointed md of NIKKO BANK (UK). Koji Mitsumori is the new md of NIKKO EUROPE's European administration division in *place of Kunihiko Tanaka* who has returned to Tokyo.

■ Michael Young, previously md of Harlow Butler Europe, has been appointed md for *European strategy* at BABCOCK FULTON PREBON.

■ Peter Bull and John Perryman have been appointed directors of SOCIETE GENERALE STRAUSS TURNBULL SECURITIES.

■ Paul Marcuse is appointed director of property in corporate finance at BZW; he moves from Goldman *Sachs*.

■ Tom Charlton, Han Ong and John Richards have been appointed to the board of MERCURY ASSET MANAGEMENT.

■ Richard Martin and Nigel Watson have been appointed institutional funds director and institutional projects director, respectively, of CAPITAL HOUSE INVESTMENT MANAGEMENT.

■ At WISE SPEKE Nigel Sherlock becomes deputy chairman of Wise Speke (Holdings) and Wise Speke *Ltd*; Timothy Norton becomes *chairman of* Pilgrim Unit Trust Management; Chris Ring becomes chairman of Wise Speke Financial Services; Ben Houghton becomes chairman *of* Pilgrim Nominees and group director of operations; Peter Barlow becomes group compliance director; Ben Speke becomes a director of Pilgrim Unit Trust Management; and Richard MacAlister, Paul *Scrutton and Nicholas Swales* become directors of Pilgrim Nominees. Brian Gillespie and Sam Phillips are retiring.

Constructive careers

■ Michael Burgoyne has been appointed a director of Matthew Hall, part of AMEC. *Malcolm Frost* and Cliff Toft have been appointed directors of *Matthew Hall Mechanical* & Electrical Engineers.

■ John Codling has resigned as a director of CLAYHITHE in order to join the board of CHELSFIELD (UK).

OBITUARIES

Francis Bacon

FRANCIS BACON, who died yesterday at the age of 82, remained to the last what he had been throughout his *long* and active career, never so much the *enfant* as the *vieux terrible* of contemporary British art. As uncompromising *and unabashed in his private* life as he was in his work – which to him was ever a matter of the utmost seriousness – there was nothing of the *Grand Old Man about him.*

Yet he was a towering figure in his creative reputation, which was matched only by that of the somewhat older and *oddly complementary figure of* Henry Moore: both profoundly humane in their preoccupations, but the one dark, the other light; serene optimism against a bleaker pessimism.

The difference was that Bacon was to find himself almost alone – the only British painter in his time to be accepted, at home and abroad, as standing by right in the first rank with his contemporaries in the world at large. It is a paradox that he should have achieved such standing with work which, even as it was being produced, was seen to be at odds with the trend of the contemporary avant-garde: *surreal expressionism*, darkly romantic, above all, figurative, in the time of formalist abstraction.

He was accorded two *full-scale retrospectives at the* Tate. At the first, in 1962, he stood alone: *sui generis*. By the time of the second show, in 1985, the world had come *round to him again. If, by then*, the critics might enter certain reservations concerning his later work on its own terms, seen in the context of figurative *expressionism* revived – Baselitz, Clemente, Schnabel – clearly he remained a singular and towering figure.

But that first retrospective in *1962 was the more significant*; it came after a career of barely 18 years as a painter. From the distance of the second show it could be seen to mark a watershed in that career, celebrating the substantive and astonishing achievement which would be enough to sustain his reputation undiminished.

Francis Bacon was born in Dublin in October 1909, of English parents. He submitted himself to no formal training as an artist, and as a young man practised *for a time* as an interior decorator and designer. He continued to paint, even to exhibit, through the 1930s, but he destroyed *most of this early work; it was* not until 1944 that he again began to paint in earnest.

The mature achievement was almost Byronic in its *instantaneity. Two magisterial* works of this first period, a sinister lurking "figure in a landscape" (1945), and the triptych, "three studies for figures at the *base of a crucifixion" (1944)*, have rightly been in the Tate these past 40 years.

The next dozen years or so saw the production of the *screaming Popes, the dogs*, baboons and chimpanzees, the early portraits, the figures after Muybridge and, at last, the extended sequence of portraits of Van Gogh on the road to Tarascon. By 1962 the full range of his imagery was established and thoroughly explored, in particular the compositional device of the figure encapsulated by an open, unspecific structure.

In the years following, Bacon's interest settled principally on the figure. *The scale* was amplified, the image subject to all manner of formal variations, but in essence nothing further was introduced. *And as the imagery settled into* a certain predictability, so the old shock and impact lessened. Attention fell more readily on the surface, and on the speed *and subtle dexterity of Bacon's* handling of his material. It was what he had said all along: what interested him was not the image for itself, not the *message nor the content* as such, but only the painting as painting – getting it right, making it real.

The problem with Francis *Bacon* and his work was never of Bacon's making; rather it was always the viewer's. Arrested by the image, viewers found it hard to move beyond it into the work *itself. Perhaps* it still seems strange to speak of the physical beauty of Bacon's work, but with time it becomes easier.

William Packer

Olivier Messiaen

MESSIAEN'S death yesterday at the age of 83 has robbed contemporary music of one of its few universally acclaimed and respected elder statesmen.

In an age characterised by schools and circumscribed aesthetic movements, his pre-eminence stemmed from his singular achievement in forging a musical language with profound implications for succeed*ing generations of composers*, while remaining absolutely wedded to his highly personal vision of music's function.

Olivier Messiaen was born in Avignon in 1908; his father was a literary scholar, his mother a poet, *and his development* appears to have been precocious: he taught himself the piano and wrote his first compositions at the age of nine. A year later he began to study music formally, and encountered Debussy's *Pelléas* for the first time. Throughout his years at the Paris Conservatoire, 1919 to 1930, it was to be Debussy's example that provided the essential antidote to the *hidebound syllabus* he was compelled to follow.

In 1931 he was appointed organist at La Sainte Trinité in Paris, a position he was to hold *for the rest of his life*, and from the outset of his career celebrated his Roman Catholic faith not by providing music for the liturgy, but in producing works whose impulse and function were essentially meditative. *The organ cycles La Nativité* and *L'Ascension* (originally written for orchestra) characterised his music in the 1930s and have become established as perhaps the most widely admired of all 20th century works *for* the instrument.

During the Second World War Messiaen was interned for two years at a prison camp in Silesia. Out of that confinement he produced what has remained one of the most widely played of all his works, the *Quatuor pour la fin du temps* (1941), written expressly for the composer to perform with his fellow inmates. On release he returned to the *Paris Conservatoire* as a professor not of composition but of harmony, and later also of analysis. A meeting with the pianist Yvonne Loriod (who *became his second wife in 1962)* led to the start of a series of piano works with *Visions de l'amen* (1943) and *Vingts regards sur l'enfant Jésus* (1944). The piano was to remain an integral part of his *scoring, finding its* way as a soloist into almost all his conceptions, parts conceived expressly for Loriod.

But it was the premiere of his *Trois Petites Liturgies* in the newly liberated Paris in 1945 that established Messiaen as a radical and controversial composer, even if his avant-garde affinities seemed at odds with his unabashed Christianity. *In* the post-war years his growing reputation as a teacher, his open-mindedness and interest in a host of western and non-western musical models brought many young, highly gifted composers to his *analysis classes* and to the *private composition* seminars he held in Paris. His early pupils included Boulez, Stockhausen, Barraqué and Xenakis.

In the 1950s he began an *intensive and systematic study* of the songs of birds, "the greatest musicians to inhabit this planet", incorporating them into works such as *Oiseaux exotiques* (1956) and the huge cycle of piano pieces *Catalogue d'oiseaux* (1956-58). From the 1960s onwards his music tended to become ever more monumental and meditative.

The culmination of this line of development and indeed of Messiaen's life work appeared to be his "scènes Franciscaines", *St François d'Assise*, staged at the Paris Opéra in 1983.

Messiaen's was a non-developing art, and in that sense strangely foreign to the Western art-music tradition. He was one of this century's most singular and distinctive creators.

Andrew Clements

MANAGEMENT

Andrew Adonis describes how one council has broken itself into pieces

Power to the people

Big ceased to be beautiful long ago in Britain's town halls. For more than a decade, decentralisation has been the craze in local government. But no authority has taken it so far – or so fast – as Tower Hamlets, the Liberal Democrat-controlled borough in London's East End.

The Liberals have divided the borough, London's poorest, into seven "neighbourhood councils". Each has its own staff, budget, offices and elected committee responsible for executing most of the borough's functions in its territory.

"Tower Hamlets only exists in name," says Eric Flounders, the Liberals' former leader – now chairman of Bow neighbourhood – who carried out the dissection after defeating Labour in the 1986 borough elections. "But that was true before we acted: the constituent neighbourhoods were always the real local communities."

Tower Hamlets is a 1960s amalgamation of Bethnal Green, Stepney and Poplar. Those names adorn three of the new neighbourhoods, but all seven are carved from their territory. With 34,000 residents, the largest – Poplar – covers a population greater than that of 27 district councils across the UK and would be on the large side as a first-tier authority in France or Germany. But with the smallest a mere 15,000-strong, even sympathetic observers think there are a few neighbourhoods too many.

How was it done? At a stroke – almost literally. Amid uproar, the first council meeting after the 1986 elections saw Flounders move sheaves of amendments to council standing orders – creating the neighbourhoods and disbanding most of the council's central committees. The central administration was stripped to the bone and chief officers were obliged to become neighbourhood chief executives. Few stayed long.

Neighbourhood units are not unique to Tower Hamlets. The model for less radical reformers is Islington, in north London. Under a progressive Labour administration, it has set up 24 neighbourhood offices across the borough: all residents are within quarter of a mile of an office; each has a staff to deal with queries – mainly housing – along with a small budget, and a forum of local residents which meets every six weeks to discuss issues in its area.

TOWER HAMLETS NEIGHBOURHOOD COUNCILS

	Population	Party control
Bethnal Green	28,102	Lib Dem
Bow	19,756	Lib Dem
Globe Town	14,860	Lib Dem
Isle of Dogs	19,492	Labour
Poplar	33,966	Lib Dem
Stepney	21,619	Lib Dem
Wapping	22,594	Labour

Yet Islington's central committee and administrative structure are still intact. Tower Hamlets has largely disbanded both. Education, overall budget-making and social service strategy remain with the centre; standard terms and conditions are observed for employment contracts; beyond that, everything – planning, parks-recreation, housing, highways, environmental health, libraries, even most lawyers and accountants – has been handed down.

Political and administrative control within those spheres lies with the neighbourhood councils, two of which are controlled by the "opposition" Labour party. Each neighbourhood has autonomy within its devolved sphere unless its chief executive believes it "is not in a sufficient state of readiness" to implement a decision.

Even the direct labour-force has been divided, with seven separate depots. Each neighbourhood has control over its own contracts: most have stayed in-house, but Bethnal Green has awarded some to the private sector.

"It's a sham, of course", says John Biggs, the borough's Labour leader. "We run two neighbourhoods, but they set the annual budget, and that's clearly fixed against us." He condemns the devolved structure as "massively bureaucratic", pointing to the £700,000 salary bill for the borough's chief executives alone.

Flounders denies the first claim: funds are allocated by formula, and losers include Liberal neighbourhoods. He concedes that devolution may have increased the administrative staff, but claims that this is balanced by savings elsewhere.

"The positive advantages are enormous", he claims, citing the borough's rent arrears. In 1985/6 arrears stood at the London average of 13 per cent of the rent collectable. Now they are down to 6 per cent.

"It comes down to an argument about the cost of democracy itself", says Paul Hoggett of Bristol University, who has made a detailed study. "Neighbourhood councils have to be serviced and administrative costs have gone up. But service-delivery costs appear to be lower and the evidence suggests the experiment has improved the quality of local democracy." That is undeniable, if turnout in local elections is a reliable guide: it is up from 31 per cent in 1982 to 47 per cent in 1990 – a shift from well below to well above the London average.

Clive Jacotine, Bow neighbourhood's chief executive and former assistant director of housing in Lewisham, believes the experiment makes sound management sense.

"The ability to bring everyone together easily, without having to get involved in inter-departmental processes, is a great advantage," he says. Politics has changed too: "The major conflict is between the neighbourhoods and the centre, not between the political parties".

Bow's management team comprises Jacotine and six "service heads" – for planning, highways, environmental services, economic development, housing, and general-support services, including libraries. They all operate from the Bow neighbourhood centre – a purpose-built block off Roman Road, which also houses the local library, and a GP's practice. A gym and sauna are coming soon.

The relationship between each neighbourhood's chief executive and committee chairman is necessarily close. Flounders and Jacotine meet at least once a fortnight. "We get on well", says Jacotine. "But if we didn't, I'd soon be out: personal rapport is much more important than between a committee chairman and a chief officer in a traditional authority." Chief executives are on three-year rolling contracts, renewable annually.

Tower Hamlets: neighbourhood councils for London's poorest borough

Tower Hamlets took control of eduction in the borough on the abolition of the Inner London Education Authority in 1990. Under local management of schools, most funds go direct to schools with the centre responsible for strategy, inspection, and ensuring adequate servicing. But neighbourhoods are still in the picture: they control the borough's £6m community education budget, subject to oversight and inspection. They also provide personnel and payroll services through "service level agreements" with the education department. "But the position is clear," says Anne Sofer, chief education officer: "The buck stops with the centre."

Six years on, other councils have yet to copy Tower Hamlets. Even Liberal Richmond, at the other, affluent end of the District Line, refuses to follow suit. "It's snobbery as much as anything", says Flounders. "But don't worry: give it a decade, and they'll all be doing it."

A case of mind over matter

Companies striving to improve their performance and prosper in the recession should pay attention to how their employees think.

Research in America reveals that companies which test employees' thinking styles and preferences can put together teams of workers who complement each other.

By finding out whether individuals think with the left side of the brain – logically and rationally – or with their right side – laterally – companies can build competition-beating "whole brained" teams.

They can further identify "cerebral" people – logicians or visionaries – and "limbic" people – organisers or co-operators.

According to CSC Index*, a consultancy which advises companies on thinking analysis, individuals' preferences are strikingly consistent. Information technology professionals – "cerebral left" thinkers – have a strong preference for analysing issues but a distinct lack of co-operative traits.

So they will present a well-argued case for introducing a new system but will lose interest when it comes to teaching anyone how to use it.

Entrepreneurs – "cerebral right" people – are off the scale when it comes to "seeing the big picture" and "tolerating ambiguity" but are lamentably short on maintaining standards and developing detailed plans.

Herein lies the problem. Achieving the ideal "whole brained" state means putting opposites together. As people generally prefer to work with those who share their approach, it involves a great deal of adjustment on all sides.

But results from America are encouraging: one company reported that after carrying out a thinking analysis, it promoted three executives to senior jobs, for which they would not previously have been considered.

Of course, it would be even better if individuals could adopt a "whole-brained" approach themselves. But perfection brings its own problems – apparently the rare 2 or 3 per cent of those tested who achieve a "whole brained" state are crippled by indecision.

*CSC Index, Tel 071 831-0101.

Sarah Hegarty

Lies, damn lies and directors' salaries

British company directors are a greedy and selfish lot. In the depths of recession they are just as thoughtless as when times are good: they increase their own pay far faster than that of their managers and other employees, writes Christopher Lorenz.

Such has been the impression created by this week's media coverage of the British Institute of Management's 1992 salary survey. This showed that the directors of large companies received average earnings rises of 9.3 per cent in the year to January 1, with salary rises of only 6.4 per cent for managers in all size of company, and 8 per cent for UK employees as a whole.

The BIM's bombastic new director general, Roger Young, added to the mood of general outrage by warning directors of large companies that they should be seen to be tightening their belts. He declared that "if they continue to reward themselves far more than their employees, they will have to answer for it" in the form of higher taxes.

Young was quite right. He should have been even tougher, pointing out that such directors are worsening the "them and us" gulf in their companies.

They are also acting in flagrant contravention of the ambitious employee motivation and "empowerment" programmes which almost all have launched.

As so often with statistical surveys, things are not as simple as they seem. Precisely the same data could have prompted the BIM to congratulate the vast majority of UK directors on setting an ideal example: taking either outright cuts in earnings, or much smaller rises than their managers and other employees.

It's not quite a matter of lies, damn lies, and statistics. It's more a question of which category of data you choose to focus upon.

For one thing, virtually no newspaper chose to report the BIM's findings that directors of companies with sales of under £600m – who constitute the vast majority of the UK director population – took rises of between 2.1 and 4.6 per cent. The overall rise for all directors, including the big boys, was only 3.3 per cent.

For another, the Institute's regional analysis (of all company sizes) showed that in only East Anglia and the north did directors take markedly higher rises in earnings than their managers. In London, the south-west and Wales, and even Scotland, directors took far less than their subordinates – ranging from a fall of 3.2 per cent in the south west and Wales, through no increase whatever in inner London, to only 5 per cent in Scotland. For managers, the respective regional rises were 4.5 per cent, 3.8 per cent, and 9.7 per cent.

None of this lessens Young's point that the big boys are both grasping and foolish. If they cannot take themselves in hand, others will have to do it for them – shareholders, non-executive directors, and, in the last resort, the government.

ARTS

TELEVISION

The audience bites back

Serving regularly as the guest on Pete Murray's phone-in programme on London's LBC Talkback Radio to discuss the week's television is both an informative and sobering experience. As the voices of the public come and go in your headphones you realise what an extraordinary role television plays as companion and comforter in the lives of so many people today, and how strongly attached people become to their favourite programmes, especially soap operas such as *Coronation Street* and *Neighbours*. The fabled types who really believe in the characters, to the extent of sending flowers for fictional weddings, never seem to phone, yet passions are certainly aroused. Last week a whole succession of callers protested bitterly about a scene in *EastEnders* where a character made sandwiches for Passover out of white sliced bread, butter and cold lamb. Clearly the anger was caused not by damage to the credibility of the character, but by what was seen as the ignorance of the producers.

For a professional critic perhaps the most interesting revelation is the way in which so many viewers seem to combine a dedication to the programmes with a deep contempt for the programme makers. This applies not only to soap operas or game shows, but all the way up and down the scale of subject matter and seriousness. So called "ordinary members of the public" are willing – indeed keen – to be far more scathing than any paid critic would normally expect to be. Last week I expressed reservations about three new programmes, all from the BBC as it happens, all involving mystery or detection: *Resnick*, *Thacker* and *Mr Wakefield's Crusade*. Among the words I used were "mannered" and "contrived". The next caller was almost speechless with scorn. "Mannered?" he screeched, "Contrived? All those programmes were absolute crap!"

On such occasions the professional critic may find himself defending that which he previously attacked. Were there no saving graces? In *Resnick*, leaving aside script and acting for a moment, didn't the perpetual rain, the brownish light, and the deliberately odd camera angles at least add up to a recognisably different visual style? And at a time when the sheer quantity of television was making it difficult for any individual programme to remain memorable, wasn't that an achievement of sorts? No. It was all pretentious claptrap. What was more the caller was fed to the back teeth with dramas in which key passages of dialogue were rendered inaudible by other noises. On this point we all (Pete Murray, guest, and caller) agreed: none of us was hard of hearing, yet all spent our time in front of the set these days asking companions "What did he say?" and getting the response "Don't know. Couldn't hear". The culprits are directors and producers who, knowing the script by heart, allow actors to mumble and, during the dubbing of sound effects and music, don't even notice that the crunching gravel or the quivering violins are obliterating the line which was meant to reveal the identity of the murderer or the motive.

'Ordinary members of the public are willing to be far more scathing than any paid critic'

But *absolute* crap? Certainly the incidence of studied idiosyncracy in television mysteries has become tiresome. In *Thacker* everyone in sight was slightly barmy, from Graham Crowden's character who collected giant insects, to the yokels who were hunting for an ancient afterbirth. (Incidentally the theme of rustic malevolence and the intruding stranger has frequently been done better, most memorably in John Bowen's 1970 BBC drama *Robin Redbreast*). If possible *Mr Wakefield's Crusade* seems even more determinedly dotty. Here we have a millionaire whose only pastime is buying stamps at the Post Office, where a fellow customer dies at his feet. Wakefield steals a letter from the corpse and begins a murder hunt... maybe. Certainly there is much in these productions to irritate.

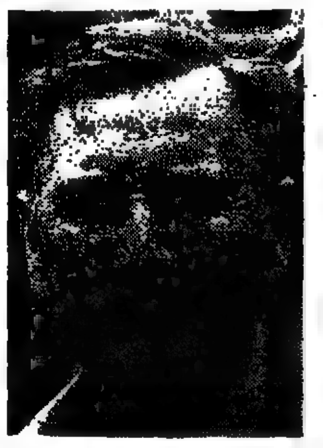
Yet it is surely a little ungrateful to condemn everything which happens to be somewhat out of the ordinary. In *Thacker*, which looked like a pilot for a series, it was good to find Leslie Phillips continuing his late career break, away from silly-ass clubmen and satisfying, too, to find that his character – the Humber driving ex-colonial – was, unpredictably, the one dishing out the violence when necessary. In my book *Mr Wakefield's Crusade* wins points for the presence of Richard Griffiths as an interfering porter in a block of mansion flats, for the absence of steam trains and Fair Isle pullovers, and for the BBC's usual high production values. Television viewing would surely be far worse if, as the expansion of the medium continued, the programme makers simply produced more and more of the same tried and tested stuff – and we would have far more reason to complain.

That said, it is worth pondering why there seems to be more experimentation, and consequently more contempt from the phone-in callers, in drama than elsewhere. Newish ideas are sometimes tried in comedy: in the last few years there has been a trend towards simple studio shows which need neither costumes nor sets, series such as *Whose Line Is It Anyway?* and *Have I Got News For You*. These appear to be the equivalent, for the younger generation, of the series previously done by stand-up comedians. Yet the old conventions carry on: *Harry Enfield's Television Programme* is similar to the shows once done by Harry Worth and Dick Emery, though Enfield may yet prove superior to both. And of course the half hour sitcom, God save the mark, continues to come at us. BBC1's *Don't Tell Father* which started on Sunday evening is another series about snobbery and English class consciousness which could have been made any year since about 1962. Or 1862. *Side By Side* which began on BBC1 on Monday is yet another.

It is hard to avoid the conclusion that the essential difference is between fiction and non-fiction, and that there is much less need felt among programme makers to strain for novelty in current affairs or documentary programmes than in drama or comedy. Even here, of course, fashion does play a part and sometimes a powerful and annoying one. For instance the trend is once again swinging in favour of "verité" documentaries. Producers seem to think that in abandoning reporter, voice-over, graphics and so on they are being non manipulative, but viewers tend to feel that they have been left in the dark to work things out for themselves. Last week's *True Stories* on Channel 4 about a small psychiatric hospital called The Cassel, though good in some ways, occasionally left you wondering whether the person speaking was a doctor, a nurse or a patient.

However, with most factual programmes the producers know that if the story they have to tell is powerful enough, few of us will even notice the style being used. Jonathan Lewis's *Assignment* about the atrocities committed by the Japanese during the Second World War, for example, was stylistically unremarkable but quite impossible to forget. What it comes down to in the end is the difference between a piece of work which is entirely the invention of the programme makers and one which is not. Judging from the people who phone Pete Murray's show, most viewers are keenly aware of this difference, sub-consciously at least, which is presumably why they are so ready to dismiss television drama but rarely television journalism as absolute crap.

Christopher Dunkley




Leslie Phillips and Richard Griffiths in two new series, 'Thacker' and 'Mr Wakefield's Crusade'

Opera in Dublin

'Martha' and 'Un ballo in maschera'

A year or two after Ireland's two main opera companies came under the same artistic director the arrangement would seem to be working to everybody's advantage. The Wexford Festival is left to investigate the rare operas it has always favoured, while DGOS Opera Ireland tries to satisfy the capital's hunger for the arts with opera of an international flavour.

This year's spring season in Dublin pairs two contrasting operas: Flotow's *Martha* and Verdi's *Un ballo in maschera*. Given the limited rehearsal time the productions are respectable enough, but it is the imaginative casting policy that invariably makes a visit to Wexford or Dublin worthwhile. The best young Irish singers are found alongside promising newcomers from abroad and a sprinkling of established names.

This was especially the case in the Flotow, which had a cast with no weak link. When *Martha* was given its first performance in Dublin in 1859 the singers included Mario and Grisi in the two leading roles, with Pauline Viardot-Garcia as support, a remarkable trio, for these were not just the most famous singers of the day, they rank among the most celebrated operatic stars of all time.

These days it is young faces and fresh voices at DGOS Opera Ireland, which works just as well in this opera. Or possibly better. *Martha* is one of those homespun mid 19th-century German pieces, all springtime love and naive innocence, hummable tunes and comfortable harmonies, which could hardly fail to warm the heart, if handled with sensitivity. This delightful performance did not put a foot wrong.

In the best tradition of opera productions run on a tight budget the producer Dieter Kaegi and his designer Bruno Schwengl had devised a setting that was as simple as it was effective: no political point making, no heavy handed comic tomfoolery. The opera famously features Flotow's version of "The Last Rose of Summer", but this staging was at least half Germanic by nature, with its beer swilling yokels and Middle European atmosphere.

'It is the imaginative casting policy which invariably makes a visit to Wexford or Dublin worthwhile'

The successors to those famed stars of old were the Irish soprano Marie-Claire O'Reirdan and American tenor Kip Wilborn, both fine voices, attractive personalities. As the secondary couple, Ulrika Precht and James Wood caught nicely the more outgoing humour that comes their way, the Swedish mezzo in particular giving notice of a voice to watch. James Lockhart was the conductor, who obtained crisp playing from the National Symphony Orchestra. The whole performance kept sticky sentiment at bay.

The company's *Un ballo in maschera* had more ambitious aims. As befits Verdi in grand opera style, this had aspirations to be an evening of international class, which always poses problems. The conductor, Guido Ajmone-Marsan, brought a keen Italianate drive to the performance, while the producer, Ceri Sherlock, clothed the opera unexpectedly in Italian garb, moving the setting to the Italy of Verdi's own day.

Otherwise the visiting principals had been left to do their own thing. Maurizio Saltarin was the rather tight-voiced Riccardo, with the right Italianate style, although one imagines it would be beyond the wit of any producer to get him to sing his love duet to anybody but the conductor. Carol Neblett made an appearance as guest diva in the role of Amelia, somewhat blowsy vocally these days, though she has plenty of voice left and shirks nothing. Frances Lucey was the winning Oscar, Jacalyn Bower a forthright Ulrica.

The evening, however, belonged to the remaining member of the cast. Vladimir Redkin, Moscow-born, Bolshoy-trained, sang a Renato of an impressive breadth and vocal security which mark him out as yet another Russian baritone headed for the top of his profession. The casting genie of DGOS Opera Ireland has done it again: he is a real find.

Richard Fairman

Gaiety Theatre, Dublin. Season lasts until May 3.

Alastair Muir

Sumi Jo as an Adina-as-saucy-baggage: a delectable pairing with Alfredo Kraus

Opera in London

L'elisir d'amore

We owe this latest Donizetti revival to Luciano Pavarotti. He was due to return to Covent Garden in *La Bohème*, which opera he then exchanged for *L'elisir* before withdrawing altogether, leaving the work scheduled and no tenor to lead it. Then the house's luck began to improve. Alfredo Kraus was persuaded to take Pavarotti's place as Nemorino, and Sumi Jo to join him as Adina.

The pairing, as shown on Monday, works winningly. Indeed, the display of finespun singing offered by both provides a delectable treat for lovers of the genre. It is not exactly a warm-blooded performance. Mr Kraus, an exceptionally well-preserved sexagenarian of elegant carriage and patrician profile, is hard to accept as a lovelorn peasant youth, graciously though he lends himself to the capers of the Covent Garden staging. Miss Jo, a Korean, seems to have been schooled down to the last eyelash-quiver, skirt-flounce and pout in the Italian tradition of Adina-as-saucy-baggage.

Given that this production is already an indigestible feast of multicolour cuteness, the shortage of "heart" limits the composer's tenderly compassionate view of human affections. But the singing is very fine, and in Donizetti that counts for a good deal.

Miss Jo's pearly soprano, not large but perfectly projected and meltingly sweet at every point in its compass, seems made for the lighter and *semiseria* roles in the 19th-century *bel canto* repertory. She knows how to float delightful, colourful sounds, how to thread notes and words into phrases, how to caress a whole sequence; she is not just unfailingly lovely to listen to, but a performer of musicianly charm – the demeanour may be pert but the voice constantly arrives at a more genuine strain of artistry.

Mr Kraus no longer commands ripely resonant tenor tones, but those he has are deployed with miraculous ease. Apart from the occasional unwritten – and rather fierce – high-note climax, his is an art of suggestive understatement, which reaches its peak in a "Furtiva lagrima" offered as a reverie, not a crowd-pleaser. One devoutly hopes his Nemorino will be viewed as a sort of masterclass *vivant* by the Belcore of the evening, Anthony Michaels-Moore. The most promising and normally the most stylish of the younger British baritones, he allows himself to ham up the comedy and blare out the notes with worrying crudity.

Dulcamara, whose presentation as an oriental potentate is one of the show's many dislikable features, is taken by another veteran, Paolo Montarsolo – amusingly at moments but superficially, and with very little "real" tone at his disposal. Richard Buckley, an experienced American conductor making his house debut, keeps the show moving with considerable skill. A handful of expressive nudgings and underlinings are a small price to pay for the general feeling of "go" in the air.

Max Loppert

Covent Garden
Box Office: 071-240-1066
(in repertory until May 9)

INTERNATIONAL ARTS GUIDE
TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Wolfgang Sawallisch conducts the Royal Concertgebouw Orchestra in symphonies by Beethoven. Fri and Sat: Sawallisch conducts an alternative Beethoven programme, with Zoltan Kocsis piano soloist (6718 345). Tomorrow in **Muziektheater:** Schnittke's new opera Life with an Idiot (6255 455)

BERLIN

Schauspielhaus 20.00 Petr Altrichter conducts the Berlin Symphony Orchestra in works by Janacek, Richard Strauss and Dvořák (East Berlin 2090 2156)
Philharmonie Kammermusiksaal 20.00 Hans Zender conducts the Ensemble Modern in works by B A Zimmermann and others (West Berlin 825 6160)
Deutsche Oper 20.00 Marcello Viotti conducts Madama Butterfly, with Catherine Malfitano. Tomorrow: ballets by Michael Clark and Bill T Jones (West Berlin 3410 249)
Staatsoper unter den Linden 19.30 Rudolf Nureyev's production of Sleeping Beauty (East Berlin 2004 762)

DRESDEN

Tonight's performance in the **Semperoper** is a ballet triple bill, with music by Britten and Pärt. Tomorrow: Le nozze di Figaro with Gunnel Bohman as the Countess. Fri and Sun: Die Zauberflöte. Sat: Il barbiere di Siviglia. Mon: Felicity Lott and Ann Murray (4842 323). Sat in **Schloss Albrechtsberg:** Dresden Philharmonic Quintet plays works by Schubert and Manolis Kalomiris (4866 306)

THE HAGUE

Danstheater 20.15 Nederlands Dans Theater triple bill of works by Jiri Kylian and Ohad Naharin, repeated tomorrow (360 4930). Tomorrow in **Dr Anton Philipszaal:** Ivan Fischer conducts Beethoven's Ninth Symphony (360 9810)

LONDON

Covent Garden 20.00 Edward Downes conducts David Freeman's production of The Fiery Angel, with Galina Gorchakova, Sergei Leiferkus, Paata Burchuladze and Robert Tear, also Sat. Tomorrow: Kenneth MacMillan's Manon (071-240 1066).
Coliseum 19.30 Andrew Greenwood conducts Graham Vick's production of Madama Butterfly, restaged by Francesca Joseph. The cast includes Susan Bullock and David Rendall. Repeated on Fri. Tomorrow and Sat: Don Carlos (071-836 3161)
Royal Festival Hall 19.30 Ornette Coleman and Prime Time: an evening with one of the great jazz innovators. Tomorrow: John Lill plays Beethoven (071-928 8800)
Barbican 19.45 Antony Pay gives world premiere of new work for clarinet and orchestra by John Woolrich, in a concert by the Guildhall String Ensemble which also features Peter Donohoe as soloist in Mozart's Piano Concertos 12 and 13. Tomorrow: Michael Tilson Thomas conducts the LSO (071-638 8891)

NEW YORK

THEATRE
● Blood Wedding: Lorca's classic adapted by African American poet Langston Hughes, fusing flamenco and jazz, Harlem Renaissance and rural Spain. Runs until May 31 (Public Theater, 425 Lafayette St, 598 7150).
● Empty Hearts: courtroom drama written and directed by John Bishop. Now previewing (Circle Repertory Company, 99 Seventh Ave S, 924 7100).
● Red Diaper Baby: Josh Kornbluth's comedy about sex, anarchy, and coming of age in a family of Jewish communists (Cazala, 2162 Broadway at 76th St, 873 6103).
● The Best of Forbidden Broadway: tenth anniversary edition of Gerard Alessandrini's show, with past highlights and new material (Theatre East, 211 E 60th St, 838 9090).
● Five Guys Named Moe: black dancers and singers of extraordinary ability and spirit, performing the songs of Louis Jordan (Eugene O'Neill, 230 W 49th St, 239 6200).
● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

MUSIC AND DANCE
Avery Fisher Hall 20.00 Riccardo Muti conducts the Philadelphia Orchestra in a new work by Berio, plus Paganini's Fourth Violin Concerto (Gidon Kremer) and Alfredo Casella's Paganiniana. Tomorrow, Fri and next Tues: Kurt Masur conducts the New York Philharmonic (875 5030)
Carnegie Hall 20.00 André Previn conducts the Dresden Staatskapelle in Mozart's Symphony No 39 and Brahms' Fourth. Tomorrow's programme consists of works by Strauss and Beethoven (247 7800)
Metropolitan Opera 20.00 American Ballet Theatre in Giselle. Tomorrow: Romeo and Juliet (362 6000)
State Theater 20.00 New York City Ballet in Sleeping Beauty, daily except Mon till May 10 (870 5570)

PARIS

Opéra Bastille 19.30 Ion Marin conducts Roman Polanski's production of Les Contes d'Hoffmann, also Sat (4001 1616)
Châtelet 19.30 Pierre Boulez conducts Peter Stein's WNO production of Pelléas et Mélisande. Tomorrow: Janowksi conducts Brahms and Schoenberg (4028 2840)

PRAGUE

CONCERTS
Vaclav Neumann conducts the Czech Philharmonic Orchestra tonight and tomorrow in the **Smetana Hall,** with a programme of music by Reger, Zemlinsky and Mahler (231 9164). Sun: Slovak Radio Symphony Orchestra plays music by Strauss, Brahms and Marek Kopelent (u Prasne brany 2, 232 5858).

OPERA
The **National Theatre** repertory includes Lucia di Lammermoor tonight and Giselle on Sun, with Don Giovanni tomorrow at the **Estates Theatre.** The Prague State Opera (formerly Smetana Theatre) has Rigoletto tonight, Entführung on Sat and Martinu's Greek Passion on Sun.
● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

VIENNA

Staatsoper 20.00 Heinrich Hollreiser conducts Elektra with Hildegard Behrens, Christa Ludwig, and Elizabeth Connell. Tomorrow: Prokofiev's ballet Romeo and Juliet (51444 2960)
Musikverein 19.30 Vladimir Fedosseyev conducts the Vienna Symphony Orchestra in works by Taneyev, Tchaikovsky and Mussorgsky, with Lazar Berman piano soloist. Repeated tomorrow (505 8190)
Konzerthaus 19.30 Peter Schreier conducts the Vienna Chamber Orchestra in symphonies by Mozart and Schubert, and is soloist in Britten's Serenade for tenor and horn (with Radovan Vlatkovic). Tomorrow: Slovak Philharmonic Orchestra (712 1211)
VIENNA FESTIVAL: the festival opens on May 9 with a new play by Peter Handke, directed by Claus Peymann with décor by Karl-Ernst Herrmann. The drama programme also includes a new play by Friederike Roth directed by Günter Krämer and a version of Lorca's Blood Wedding by the Theater der Roma, the distinctive Macedonian troupe. There will be a Zarzuela event directed by Alain Maratrat, and Thomas Langhoff will direct Daughter of the Air, a two-part play by the 17th century Spanish dramatist Calderon de la Barca.
The music programme opens Gurrelieder by the Vienna Philharmonic Orchestra. Other conductors at the festival include Riccardo Muti, Wolfgang Sawallisch, Frans Brüggen and Carlo Maria Giulini. The two visiting opera companies are the Komische Oper with Harry Küpfer's staging of Carmen and the new Brussels Monnaie with Il barbiere di Siviglia. The festival runs until June 14 (Vienna Festival, Lehargasse 11, A-1060 Vienna, tel 586 1676, fax 586 167649).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Wednesday April 29 1992

The battle for Midland

TWO fundamentally different offers have now been proposed for Midland Bank. The deal unveiled yesterday by Lloyds Bank implies substantial and painful rationalis*ation of a type that the UK finan*cial services sector has never experienced. Symbolically, the name of Midland, once Britain's biggest bank, would go.

The offer contrasts with the bid from Hongkong and Shanghai Banking Corporation which has *already been on the table for more* than a month. This is a very different sort of exercise. It will introduce new capital to Midland and possibly reinvigorate its management, but it will not address the apparent problems of overcapacity and poor returns on capital *in British* banking.

At one level it is up to shareholders to decide. Normally the more radical solution would be likely to be more profitable for them, although the benefits from bank mergers in the past have often proved to be disappointing. *Indeed, Lloyds is offering a price* some 20 per cent higher than the Hongkong Bank. But this raises public interest considerations, because although it would be acceptable for Midland's value to be enhanced through increases in efficiency, the same would not be true if the gains were to be achieved through monopoly profits arising from the reduction of the number of major clearing banks from four to three.

Special safeguards

Although it is right that banks should be exposed to market forces by way of takeovers, there need to be special safeguards as well: banks are different. The security of depositors' funds is paramount, and in the case of the largest banks, at least, it is supported by an implicit state guarantee. There are also broader questions about the stability of the financial system. So to some degree, competition must be subordinated to prudence. The regulators must maintain a balance between the encouragement of sensible behaviour by the banks and the availability of economically priced and progressive services to the public.

Then there is the position of the shareholders: by and large they have been badly served by their directors in recent years (though *Lloyds has been an exception).* Midland in particular has been allowed to stagger from one crisis to another over nearly 20 years during which its share price has hugely *underperformed the stock* market as a whole. The bid battle erupting over Midland is a welcome sign that even bankers are not immune from the consequences of their mistakes.

Avoid a squabble

The crucial decision that has to be made now concerns the nature of whatever investigation needs to be made into the UK's biggest banking reorganisation since the mergers of the late 1960s. Both the European Commission in Brussels and the Monopolies Commission in London may have claims for jurisdiction, and it will be important *to avoid a squabble.* There may well be a real problem here of overlapping jurisdiction: the European authorities will be keen to get their teeth into the Hongkong *bid, which is one of the most* important mergers to take place since they acquired their powers. But at the same time, a probe into the domestic UK implications of a Lloyds-Midland merger seems desirable. Although there is plenty of competition in personal banking and big corporate lending, the same is not true of lending to the small business sector.

Whatever the legal niceties, the desirable outcome is that both *bids should be scrutinised by the* same competition authority, and that oversight should lie within the UK. This is not to deny the possibility that Brussels has a legitimate interest in this affair. But the main public policy issues at stake here are domestic in character. Only within the UK will there be major shifts in market penetration as a result of either of these offers.

Midland is the weakest of the UK clearers, and its future as an independent bank is uncertain. So the fact that it is now on the receiving end of two very different bids from well capitalised banks is *to be welcomed. It is right that* these should be officially scrutinised. But there is a strong case for a shake-up in the UK banking sector. There would have to be very *powerful arguments to justify* opposition to either of these bids on competition or other public interest grounds.

Shock therapy for Italy

ACCUSTOMED AS it is to feeble and fractious political leadership, Italy is this week trying to come to terms with a new phenomenon: that of having no effective leadership at all. The resignation of President Francesco Cossiga on Saturday, following the departure of Mr Giulio Andreotti, the prime minister, earlier last week, leaves the country without a head of state or a government at a time when it is more in need of leadership than ever. Just possibly, the consequence may be to push Italy towards the sort of fundamental political reform that it has long been advised to adopt.

Although he sought to present it as a principled protest against the politicians' refusal to reform the political system, President Cossiga's resignation was no high-minded act of state. He had only two months of his term left to serve in any case, and his *announcement seemed laced with* personal pique that will do little to create the climate necessary for constructive reform.

Nevertheless, at least Mr Cossiga's action has the merit of providing shock therapy. It has underlined the lesson of Italy's *recent general election: that its* political system has reached the limits of viability. The April 5 election delivered a serious rebuff to the long-ruling Christian Democrats. It also resulted in an unprecedented fragmentation of the political parties, highlighting the excesses of Italy's system of proportional representation.

Additional support

A nationwide protest vote, inchoately expressing a desire for institutional reform and better economic management, has led to no fewer than 16 parties being represented in the new parliament. The outgoing four-party coalition *of Christian Democrats,* Socialists, Liberals and Social Democrats, still possesses a marginal parliamentary majority. Yet with these parties' overall share of the vote *below 50 per cent,* they need additional support to retain credibility.

Any new partner, whether it be the centre-left Republicans, the former communists regrouped in *the Democratic Party of the Left* (PDS), or the newly emerged populists of the Lombard League, would demand a high price: the clean-up of government, electoral reform, a curb on the Christian Democrat and Socialist grip on the levers of patronage, and, in the case of the Republicans and Lombard *League at least,* concrete economic measures to ensure Italy meets the minimum requirements for convergence with the EC laid down at Maastricht.

Tough choices

It is that European challenge which points up the current paralysis. To make the grade for economic and monetary union, Italy faces tough choices – on public *spending, on subsidies to state* industry, on reforming the pensions system – that can only be made by a strong and stable government. That is precisely what the present parliament will not be able to produce. If the country is not to be relegated, as many of its *politicians and industrialists* now fear, to the slow lane of a two-speed Community, it will have to change its political system.

The most logical solution, therefore, is for the political parties to agree on an interim government with a clearly defined but limited *role. Apart from implementing* emergency economic measures to deal with the budget deficit and inflation, such a government should concentrate on constitu*tional reform. Parliament, in these* circumstances, would have to act as a sort of constituent assembly preparing for fresh elections, say within 18 months.

There is no shortage of proposals as to how the electoral system might be modified – for example, by introducing tighter controls on the admission to parliament of minority parties. There is also pressure in some quarters, not least from Mr Cossiga himself, for the presidency to be given greater powers.

Such ideas deserve consideration. But suggesting ways of strengthening government is not enough. The established parties themselves also need a thorough overhaul, for it is they – and the Christian Democrats in particular – that have created the system of patronage and corruption that is at the root of the trouble.

That is the *true* meaning of the election. It is a warning that Italy's politicians cannot afford to ignore.

THE BATTLE FOR MIDLAND

Robert Peston on the shape of Lloyds Bank if it succeeds in taking over Midland

Dark horse joins the race

When Mr Brian Pitman became chief executive of Lloyds Bank in 1983, he asked his senior colleagues whether the bank was successful. Without exception they said that it was.

"Research showed we had happy staff and happy customers," he says. But Mr Pitman was not satisfied: "The stock market was saying something completely different. Lloyds' shares were priced at only 50 per cent of the value of assets."

In other words, investors were saying that Lloyds – like all other banks at the time – was relatively inept at managing its assets.

Thereafter, Lloyds became the first big UK bank to be managed primarily for the benefit of its shareholders – which Mr Pitman believes is in the interest of employees and customers as well.

Unlike its rivals, Lloyds became ruthless at pulling out of businesses *making a low return, and began to* cut costs. In 1991 alone, Lloyds cut £150m from its staff costs by reducing its headcount by 8,500.

Thus Lloyds' attempt to take over Midland is aimed at pushing up profits by cutting costs. "By integrating the two businesses, Lloyds *Bank envisages it could reduce the* enlarged group's operating costs by over £700m within four years of the merger," it said yesterday.

This focus on productivity is in stark contrast to the pronouncements of most other banks when making takeover bids. Banks traditionally believe that big is beautiful and promote their takeover attempts by pointing to the benefits of expanding the network of offices. Never before has a UK clearing bank attempted to acquire a UK rival against the rival's will.

This has been the message of Hongkong & Shanghai Banking Corporation, which made a formal takeover offer for Midland a fortnight ago. The logic of its offer is that it creates "a strong international banking group with a worldwide network . . . operating in the world's three major economic regions".

Because Hongkong Bank has a *relatively modest presence in the* UK, it has little scope to improve profits by cutting operations which overlap with those of Midland.

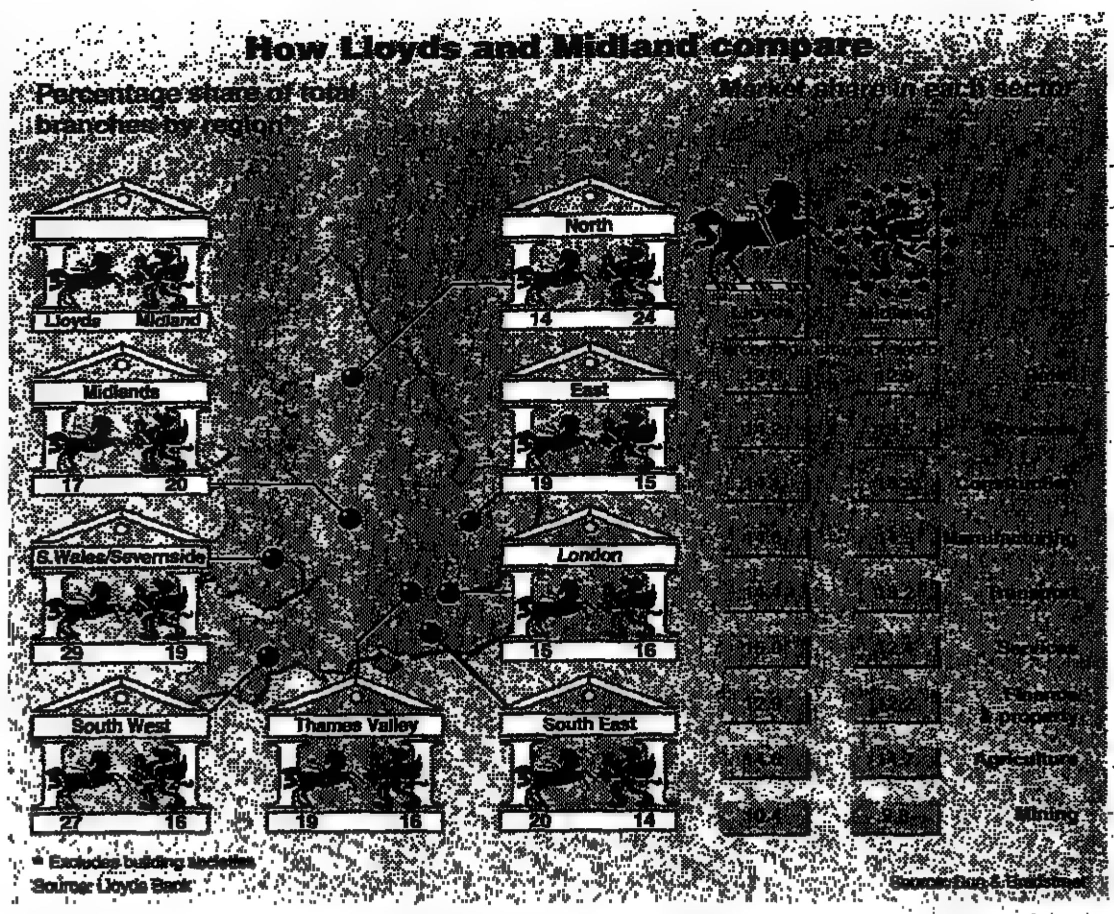
Lloyds has much more scope for *such gains. Mr Pitman says the* £700m savings arising from the planned takeover of Midland should be achieved relatively easily – and may be exceeded.

He also talks confidently of increasing Midland's income. The most obvious way of pushing up profits at Midland would be for Lloyds' life insurance subsidiary, Abbey Life, to sell its products to Midland's customers. Mr Pitman says that last year 14 per cent of all Lloyds customers who bought any life insurance at all bought their policies from Lloyds Abbey Life – far higher than the percentage of Midland customers buying their insurance from Midland.

Persuading Midland customers to buy Lloyds Abbey Life products could bring in many tens of million pounds of extra profit over the next few years.

But in the short term Lloyds' emphasis would be on cost savings, which would be made by reorganising three different parts of the com*bined banks' activities:*

- Overlapping elements of head office functions and centralised services – such as foreign exchange and money market dealing – would be eliminated.
- A single computer network would be operated for the enlarged *operation.*
- Where Lloyds and Midland have adjacent branches, one of the branches would be closed.



Over four years Lloyds would *expect to shed 20,000 employees* from the combined banks' worldwide staff of 125,500, with the bulk of the job losses occurring in the UK. The banking union, Bifu, is concerned this would involve huge numbers of forced redundancies.

But Mr Pitman says "forced redundancies are very unlikely . . . Many of those jobs will go through natural wastage. The rest are likely to accept voluntary severance."

To cover these severance costs, Lloyds would make a provision of £300m before tax out of reorganisation costs totalling £550m.

The greatest source of long-term cost savings, about half of the £700m, should come from reorganising the branch network. Mr Pitman says some 1,000 branches would close over four years.

"Where there are overlapping branches, we will close the weaker branch," he says. "That may mean closing a Lloyds branch rather than a Midland one." Sir Jeremy Morse, Lloyds chairman, says this equity of *treatment between the two banks'* branches has been spelled out clearly to Lloyds employees.

Mr Pitman insists customers will benefit from an orderly re-organisa*tion of this sort rather than the* more haphazard restructuring of the industry which is currently tak*ing place: "I believe that over the* next decade around 10,000 bank and building society branches in the UK, out of the total number of 20,000, will close. That will involve *the loss of 50,000 jobs."*

Sir Jeremy argues that the way the cuts fall can hurt customers. There are some villages and towns which now have no bank branches at all, he says, where until recently each clearing bank had a branch. "Everyone pulled out at the same time, where in fact it would have been better for customers if one of us had stayed behind," he says.

His argument is that Lloyds and Midland as independent banks would close down just as many branches over the next few years as the 1,000 planned by Lloyds if it buys Midland. *The difference is that* if Lloyds succeeds with its bid, it would continue to be represented in all areas where the two banks are represented. Only overlapping branches would be closed.

Nonetheless, Lloyds and Midland customers in some parts of the country would experience disruption to service. Each bank has large *numbers of banks in the Midlands* – both Lloyds and Midland were founded in Birmingham – and in South Wales, so closures will be greatest in these regions.

The two banks are a good match in terms of the regional distribution of branches, with Lloyds stronger in *the south and Midland in the north.* Earlier in the 20th century, Lloyds concentrated its expansion on the south and south west, by buying the Wilts and Dorset Bank in 1914 and Capital and Counties Bank in 1918. Midland by contrast grew in Britain's industrial heartland.

But branch closure is not the only inconvenience to be faced by Midland's 3.6m current account holders. They would be asked to give up their Midland cheque books and plastic cards for Lloyds ones.

However, Lloyds would abandon only the "Midland" brand name. Other marques – such as the First Direct brand used by Midland's branchless banking subsidiary and Samuel Montagu, the name of its merchant bank – would be kept.

Both banks' big corporate customers are indifferent to the prospect of Midland being bought by Lloyds. Big companies' closest relationships tend to be with National Westminster and Barclays, rather than with Midland and Lloyds. For services or loans, big groups shop around at the big international banks too.

However, there is one group of the banks' customers, small and medium size businesses, which is more concerned about the implications of such a deal. Though there are a dozen financial institutions providing loans to such businesses, this market is dominated by the *four English clearing banks.*

According to industry sources, NatWest has about 28 per cent of this market, *Barclays* 27 per cent, Lloyds 15 per cent and Midland 14 per cent. Small businesses fear that the combination of Lloyds and Midland would be bad for competition.

Mr Pitman *claims the opposite* is true. "We would for the first time be on an equal footing with NatWest and Barclays," he says. "We would compete more effectively." He also points out *that* in most European countries, banking markets are dominated by just two or perhaps three banks, rather than four as in the UK.

Lloyds may be able to *go some* way to reassuring small business *customers* and personal clients that they will enjoy benefits from a Midland takeover. Mr Pitman says in the coming weeks Lloyds will offer new products and services unavailable elsewhere, to its and Midland's customers, conditional on the deal going through.

The aim would be *to prove that* some of the extra profits generated from buying Midland would be recycled into improving services to customers. In this way, Lloyds also hopes to persuade the *UK and Brussels* competition authorities that a Midland takeover is in the public interest.

Lloyds has made it explicit that it regards the competition authorities as the main obstacle to such a takeover. Though it has said how much it would offer for each Midland share – one of its own shares plus 30p – it also said it would not *offer this formally until one* of two preconditions has been met:

- Either it must be satisfied that its bid will not be referred for investigation by the UK competition authority, the Monopolies and Mergers Commission;
- Or if its bid is referred to the monopolies commission, then the rival offer from Hongkong Bank should also be referred.

What it wants, in Sir Jeremy's words, is "a level playing field" in *its fight against Hongkong Bank.* If its bid went to the monopolies commission but Hongkong Bank's did not, Midland's shareholders would have to choose between accepting *an immediate offer from Hongkong* Bank or waiting between three and six months for the outcome of the commission's investigation. Lloyds fears that under such circum*stances, shareholders would take* the immediately available offer.

Staff of the Office of Fair Trading, which would advise the Department of Trade and Industry (DTI) on whether to refer a bid to the monopolies commission, say the Lloyds' bid will almost certainly be referred. This means, they say, that Lloyds' only hope is that the Hongkong Bank bid is referred to the commission as well.

The likelihood of such a reference is difficult to assess. First, the Brussels competition authorities need to be persuaded that the Hongkong bid falls outside their jurisdiction. Then, Lloyds needs to persuade the *OFT* and the *DTI* that there are grounds for a reference of the Hongkong bid to the commission. Lloyds privately admits that this will be a challenge.

Still, the potential gains from a successful bid for Midland justify the efforts involved. Mr Pitman's strategy of building Lloyds' profits by shrinking the bank has worked *very successfully;* but it cannot continue indefinitely. To keep its profits growing, Lloyds needs fresh costs to cut. Midland offers the best place to find them – and therefore *the best opportunity of keeping* Lloyds' shareholders happy.

PERSONAL VIEW

No freedom in the skies

By Rigas Doganis

By January 1993 European air transport will be largely liberalised if not deregulated. Airlines will be free to fly anywhere within the Community at whatever fares they wish to charge.

The protagonists of liberalisation argued *that a more competitive* environment would push down fares, in turn forcing airlines to reduce costs and improve efficiency. Without state aid, banned under the Community's rules, only the efficient would survive. New airlines would come in to challenge those *established national carriers operat*ing cosy duopolies on the main routes. Consumers would benefit from a wide choice of products and from lower fares. That is the expectation. *What is the reality?*

Experience of deregulation in the US showed that airlines had to be big to survive in a more competitive marketplace. Size does not generate *cost economies but does offer pow*erful marketing advantages. Some European airlines were quick to grasp this. They set out to enlarge their scale of operations by buying domestic *competitors or by purchas*ing shares in foreign airlines to gain greater marketing spread. Examples include Air France, which in 1990 took a majority holding in UTA, France's *large independent carrier,* which also gave it control of the leading domestic operator, Air Inter. At the same time several airlines established strong marketing *alliances: Air France with Luft*hansa, and Iberia with Alitalia.

During this first stage of airline concentration most of the independent scheduled carriers in Europe *have been swallowed up or have* lost their independence. With the exception of Virgin, no independent airlines of any importance survive. The next stage will see a number of the smaller national carriers disappear or become subsidiaries. Sabena was the first in April, when it signed a partnership agreement allowing Air France to acquire 37.5 per cent of its shares.

In time some of the larger European airlines will begin to merge, as *KLM* and British Airways *almost* did earlier this year. By 1995 the four or five largest airlines will control 75-80 per cent of the Community's scheduled air traffic. Air France, British Airways and Lufthansa will be among them.

As had been expected, liberalisa*tion encouraged Europe's charter* airlines to launch competitive scheduled services. But by 1990 most of them began to realise that the costs of mounting scheduled *services* were higher than anticipated. They rapidly reduced their scheduled operations. Air Europe, which by 1990 was operating 15 scheduled routes, collapsed in February 1991.

The impact of liberalisation on fares has been mixed. On most intra-European routes little has changed. They are operated in most cases by two airlines, one from each end of the route, charging similar fares. Only on a few routes have fares gone down appreciably, usually when smaller independent airlines have entered previously controlled markets. Between London and Dublin the entry of Ryanair in 1985 pushed average fares down by about a third. In fact, yields have *been so* low that British Airways pulled out of this route early in 1991. But such markets have been the exception: too frequently new entrants charge fares similar to the *established carriers.* Dan Air, which launched a London-Athens service this year, is doing just that.

In a deregulated market, downward pressure on fares is more likely to come from new entrants. But it will not be easy for new airlines to enter the busiest markets.

A growing number of European airports are desperately short of runway capacity, especially at peak periods. To launch its Heathrow-Brussels services this year British Midland had *to abandon its flights* to Liverpool in order to free convenient slots.

Within the single European market, competition should take place on a level playing field. This means no direct or indirect state subsidies to airlines. But recent decisions by *the Commission in approving gov*ernment aid to Sabena and Air France has made the playing field very bumpy. A large capital injection of FFr2bn (£203m) by the French government in Air France was approved by the Commission on the grounds that it was a commercially justifiable decision which would equally have been made by a private investor. A huge cash injection in Iberia by the state-owned holding company, INI, is likely to be condoned on the same grounds.

The aim of liberalisation has been to increase competition in order to produce lower fares and greater choice for passengers. But the European Commission seems powerless to prevent the emergence of a small number of European mega-carriers, which will dominate European markets. They are likely to ensure, through tacit collusion on fares and control of runway slots, that consumers *do not* enjoy the full benefits of competition.

The author is professor of air transport, Cranfield Institute of Technology, and author of Flying Off Course – The Economics of International Airlines (Routledge).

Edward Mortimer

The real face of Sudan

FOREIGN AFFAIRS

Hassan Turabi, the Islamic leader, presents a picture of his country unfamiliar to the west

"That one may smile and smile, and be a villain..." The line from Hamlet came into my head on Monday after an hour and a half's conversation with Mr Hassan Turabi, the Sudanese Islamic leader.

Mr Turabi certainly has a villainous reputation. He is generally seen as the brains behind the military regime in Sudan, which gets about as bad a press as any except that of President Saddam Hussein in Iraq. Since seizing power in 1989, General Omar Hassan Bashir has vigorously pursued the civil war against mainly Christian rebels in the south of the country. He has quarrelled with the international aid agencies, both official and unofficial, which are trying to bring relief to millions of starving Sudanese. He has been accused by human rights organisations of systematically detaining and torturing his opponents, and by the US and Egyptian governments of harbouring international terrorists. And he has cultivated close relations with Iran and Libya, allegedly accepting Iranian military advisers, while backing Iraq in the Gulf war.

Mr Turabi's Islamic Front (NIF) has been named in the Egyptian press as training and financing "terrorist elements" which allegedly planned to assassinate Egyptian officials. President Hosni Mubarak himself has publicly blamed Mr Turabi for the problems in Egyptian-Sudanese relations, saying that "Turabi believes he can spread his destructive principles to every part of the world". Sudanese opposition parties blame "the government of Bashir and Turabi" for sabotaging efforts to end the civil war. It is, according to the Sudan People's Liberation Movement – the political wing of the rebellion in the south – "well known in the Sudan and elsewhere that Dr Turabi is the man behind the current problems of forceful Islamisation, amputation of limbs for petty theft, flogging for drinks and decapitation for adultery".

Western experts and diplomats agree that Mr Turabi is a significant power in the country. "The real power lies with the NIF," wrote the magazine Africa Confidential last year, describing Gen Bashir as only "a convenient figurehead with a nationalist image".

It therefore comes as a slight surprise that Mr Turabi is spending a week in London, where he lectured on Monday night at the Royal Society of Arts, and yesterday at the Royal Institute of International Affairs. According to the Democratic Unionist Party (the main left-wing opposition in northern Sudan), Sudanese exiles "are bewildered to note that this has happened in a country where many of the victims of Turabi's regime are seeking asylum".

In fact the two institutions were doing their job in enabling Mr Turabi to present his ideas, and the exiles to challenge him. The exiles were outside the RSA on Monday with slogans such as "stop the use of food as a weapon of genocide", "foreign troops out of Sudan" and "Turabi, the butcher of Khartoum".

Mr Turabi took all this with remarkable equanimity. He presents himself as a modern and enlightened Islamic "scholar", with no official position – although his programme in London was arranged by the information counsellor of the Sudanese embassy, who sat in on our conversation. Mr Turabi, who studied law in London and went on to obtain a doctorate at the Sorbonne, speaks excellent English and gives no hint of feeling rattled by western criticism – unless it be a tendency to interrupt his own discourse with a nervous giggle.

> **Mr Turabi's presence in London was an opportunity for the exiles to air their grievances**

He also resists any temptation to respond in kind by demonising the west. Asked by an obviously friendly questioner at the RSA to comment on the west's sincerity in urging democracy on the Third World, he said it was "very difficult to lump the whole west together", and that there were many people in the west who would be willing to see Islamic parties come to power by democratic means. "Anyway, the west will evolve."

Mr Turabi points out that he himself was "detained for a short while" at the time of Gen Bashir's coup, along with other political leaders, and that the NIF, like other political parties, remains officially banned. He admits, though, that "most party members supported the new regime", partly because "we were the only party in opposition when it took over" but mainly because it soon showed "pro-Islamic tendencies".

Certainly he is ready enough to defend the regime against its critics, going so far as to assert that people in Sudan "have never had it so good". Prices of agricultural products have quadrupled, he told me, and as a result "a farmer now earns more than a civil servant". It was, he claimed, "mainly the élites" who were suffering because "government service is not paying so well", whereas "farmers and herdsmen, who make up 80 per cent of the population" were benefiting from the government's focus on agriculture.

The government, Mr Turabi explained, "didn't so much interfere" with relief work as seek to replace it with development aid, so as to make the people more independent. Sudan, he added, was now an exporter of food. "It is absolutely not true that people are dying of hunger."

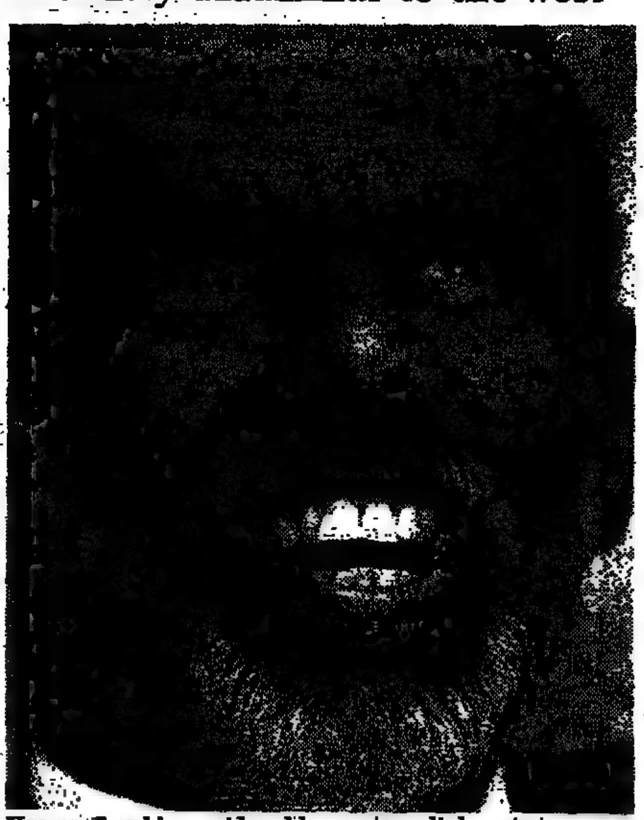
There were, he admitted, problems of access and distribution in some parts of the country, but reports of famine had been exaggerated by the aid agencies to justify their own activities and help them raise more money. Thus he brushed aside, for instance, a UN report according to which 7.6m people in Sudan are victims of drought and war, and 7.2m will need emergency food aid this year at a cost of $471m.

Mr Turabi was equally dismissive of criticism of the regime's human rights record – "most of it misinformation" – pointing out that other countries such as Britain and the US had resorted to administrative detention in wartime. Sudan's record compared favourably, he said, with that of neighbouring pro-western countries such as Egypt. It might be true that the police "mishandle" people at the time of their arrest, but the conditions of detention were exemplary, as he could testify from his own experience: "we had refrigerators, newspapers, visits". He denied reports of "ghost houses" and claimed there was no evidence of torture. "Did anyone come with a broken limb?" he asked.

As it happened, a member of the audience at his RSA lecture removed his artificial leg and brandished it, claiming that he had had to be amputated as a result of torture. He asked whether this accorded with the teachings of Islam. Two weeks ago Amnesty International reported that "prisoners have been shackled and suspended from their cell walls, sometimes upside down, others have had their testicles crushed with pliers". This week a new report from Africa Watch included a long first-person account of various tortures by a released victim, and concluded that "torture by members of the Sudanese security forces appears to be becoming more sophisticated".

The country described in such reports hardly sounds like the one Mr Turabi talks about – maligned, according to him, because of western prejudice against Islam. One would like to go see for oneself which version is right. But the last time an FT correspondent did so, in February 1990, his attempts to investigate human rights violations led to his being detained for nine days, and then released on condition he left the country within 24 hours.

It is not very encouraging.



Hassan Turabi: considered by western diplomats to exercise significant power through his Islamic Front

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Engineering: when status is irrelevant

From A V Drew.

Sir, Ron Kirby (Letters, April 24) rightly states that more young people are going into engineering via higher education and that salaries are better. But before we get carried away into this brave new world, my daughter's experience is salutary.

She expects to graduate this summer. She has spent the last 16 years being educated. Getting 10 O-levels, three A-levels, all at good grades, winning a scholarship and going to university. She has been influenced by me and the WISE campaign (Women in Science and Engineering) to become a civil engineer. She hopes to become chartered and has a real interest in transportation. She has experience in civil engineering through vacation jobs with county councils, carrying out responsible projects such as road realignments.

Since the beginning of the year she has written more than 50 letters to employers of civil engineers. Most say they are not recruiting graduates this year because of the recession. When she has gone for interview (on four occasions) she is competing with sometimes more than 400 other applicants.

In short, the recession is dreadful and is uniquely cruel to 1992 graduates. This current situation surely makes this present correspondence concerning status and salary of engineers irrelevant if you don't even have a job.

A V Drew,
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New ways to fund Tecs needed to achieve training revolution

From Mr Peter Ashby.

Sir, The call by leaders of training and enterprise councils for the government to fund "Investors in People" (IiP), to boost the expansion of in-work training, is most welcome ("Tecs pressure Shephard on training policy", April 27).

However, the proposed £20m budget for IiP – around £250,000 per Tec – is hardly going to create the training revolution to which government and Tecs are committed.

There should now be a fresh look at how new funds can be generated for Tecs from the employer community, as well as the exchequer. One option would be for parliament to grant Tecs the public law status enjoyed by continental chambers of commerce – and, at the same time, encourage them to join forces with their local chamber, as a number are now planning to do.

The Dutch system, which involves businesses registering with their local chamber, and paying a compulsory subscription, could readily be adapted to the needs of Tecs.

Where Mrs Shephard could take an important new initiative is in launching a public review of the different policy options for funding Tecs. This would take the debate away from its narrow focus on Treasury funding for Tecs – which, even if granted, can always be cut.

Of course, the government should continue to fund training for young people and unemployed adults. But let Tec support for in-work training, and IiP, be funded through new statutory arrangements for employer membership of Tecs. The £20m grant from the exchequer for IiP could then become a one-off "kick-start" to get the ball rolling.

Peter Ashby,
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Policing accounts

From Mr Nigel Wilkins.

Sir, Can it come as any surprise that such a large percentage of British companies neglect to file their accounts within the time limits set by the Companies Act if less than 1 per cent of company directors responsible for such lateness are actually prosecuted? ("Late accounts levies expected to hit 15 per cent of UK companies", April 22)

Although this particular failure to apply company law is at last being rectified by the imposition of automatic levies on defaulters, the reluctance of the Department of Trade and Industry to apply the law does not stop there, since Companies House shows little vigilance in monitoring whether the content of the accounts it receives comply with company law.

Companies House only acts after the horse has bolted, usually when a company has actually failed and creditors face substantial losses. The amount of money that innocent creditors could be saved by effective supervision of company law is positively mind boggling.

The shortcomings of the DTI in overseeing company law have reached legendary status. It is time that the job was handed over to the police.

Nigel Wilkins,
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Important issues raised by lease assignment argument

From Mr Michael Pattison.

Sir, The letters from John Banham (April 10) and David Lewis (April 22) raise important issues. The whole question of privity of contract has been reviewed by the Law Commission and in carrying out that review it has consulted interested parties. The government is due to consult further on the commission's recommendations before publishing any proposals for change.

This is undoubtedly an issue which landlords and tenants will approach from very different perspectives. The landlord, perhaps a pension fund looking to meet long-term obligations, when agreeing the terms of the original long-term contract will have taken account of the status of his tenant. The terms agreed will need to satisfy his requirement for an income stream from the investment throughout the term of the lease in order to meet those pension obligations.

If the tenant seeks to assign the lease before it expires, the fund would probably agree more readily because of the protection available to it by current law on privity of contract.

On the other hand, changing economic circumstances can produce apparent absurdities such as those highlighted by John Banham. These can fall in what seems an unfair way on a business which has changed significantly since it signed the original lease.

Two points stand out. First, David Lewis is right to oppose abolition of privity for existing contracts. Such a move should not be contemplated without permitting the investment funds also to reconsider retrospectively their agreement to lease assignment. Contracts freely negotiated between parties having equal bargaining power should not be interfered with at some later date.

Second, there may be an argument for abolishing the privity principle for new contracts for the reasons spelled out by John Banham, although this would certainly change the structure of UK property investment.

Setting aside any contract inevitably results in unfairness to one of the parties. If the government chooses this option, then it must, at the very least, do all it can to minimise the degree of unfairness through, for instance, a long transitional period.

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OBSERVER

Pitman's finest hour

■ It is a very long time since a London clearing bank had an effective chief executive, rather than an old-style general manager. But Brian Pitman of Lloyds Bank fits the bill. No other bank chief executive would have had the guts to challenge the establishment thinking in the way that he has done.

True, Howard Lloyd and Midland's Edward Holden were giant figures a century ago. But after them it is hard to remember a manager who has had as big an impact as Pitman. Indeed, what is odd is that he has been permitted to make such a mark on Lloyds which in the past was more like Barclays with managers obeying orders and leaving the chairmen to have bright ideas. Ironically, it was only banks like Midland where managers who had worked their way up from the bottom were allowed to run the show.

Pitman is unusual amongst his kind in having not only the vision of where he wanted to take his bank but the ability to persuade both his staff and his board to follow. Whereas most bankers pride themselves on their lending skills, Pitman's great strength is his strategic antennae. He also had the benefit of Sir Jeremy Morse as chairman.

When the chairmanship changes next year, it will be interesting to see how Pitman's reputation fares in the absence of Morse's restraining hand.

Unsplit blood

■ By happy coincidence a speech from the Governor of the Bank of England criticising companies that combine the jobs of chairman and chief executive was delivered on the very day that Barclays formally announced it will continue to do just that.

Andrew Buxton, who takes over as Barclays' chief executive on Friday, will also become chairman at the end of the year.

Robin Leigh-Pemberton told the IoD that companies should prevent the concentration and abuse of power, for example by separating "as a general rule" the role of chief executive and chairman. "No-one could seriously suggest that the current frameworks and arrangements are ideally suited to the complexities of our current corporate life," said he.

No-one, that is, except a bank where blood is not considered a disadvantage to management preferment.

Jack outlawed

■ Paul Keating, Australia's acid-tongued prime minister, was in fine fettle yesterday as he took parliamentary questions on his plans to remove the Union Jack from the Australian flag. Facing a sea of Australian flags patriotically planted on opposition MPs' desks, Keating labelled his critics "lickspittlers, crawlers, and snivellers to forces abroad" – an uncharacteristically elliptical reference to Britain.

The exchanges marked a new phase in Keating's nationalist campaign, which is intended to present the opposition conservatives as latter-day colonials. For the first time, Keating promised to produce detailed proposals for a replacement flag, although there is no agreement, even within the governing Labor Party, on what it should look like.

Strangely, there seems to be little support for the most obvious choice – replacing the Union Jack with the red, black and yellow Aboriginal flag. That would imply recognition of 50,000 years of Aborigine history, and might help Labor in its stated aim of reaching an accord with the descendants of the continent's original inhabitants.

But perhaps Keating thinks it might not win many votes.

"Perhaps we could replace the Berlin Wall with a screen"

Means business

■ Who is going to be South Africa's next finance minister? More important, does it matter in the short-term?

The task of piloting the economy of the old South Africa broke Barend du Plessis – whose resignation came amid rumours of a nervous breakdown. Over the past eight years he did a creditable job running an economy under siege while also presiding over a gradual liberalisation of the country's economic policies.

His fall from grace over the last couple of years has been dramatic, however, and his resignation was a recognition of the fact that there was no place for him in the new South Africa. His relations with the ANC and its trade union ally Cosatu were far too acrimonious for there to have been any chance of his being part of a consensus-based government.

Dawie de Villiers, the ex-springbok scrum-half, is probably the only politician up to the job. But big business would much prefer an apolitical figure like Derek Keys, the ex-Gencor boss recently appointed Minister of Trade and Industry and Economic Co-ordination. He also has the big advantage of being an English speaker.

But combining finance with his current portfolio would probably be too big a strain even for someone of Key's calibre. If he stays put, Standard Bank chairman Conrad Strauss, and Harry Schwartz, the ambassador to Washington, are possibilities.

Given the desperate state of the South African economy, President de Klerk needs to find a new finance minister who will survive the arrival of an interim government. Schwartz would fit the bill, although at 68, he is not young. The cerebral Strauss is highly regarded in banking circles, but whether the ANC would tolerate for long two unelected businessmen holding the main economic levers is moot.

Upmanship

■ Is there a danger that the renaissance of Sir Edward Heath, elder statesman, is being a bit overdone? Take yesterday. As Betty Boothroyd, the new speaker, led MPs in taking the oath of allegiance and signing the Commons roll, Heath was given precedence over John Major, the prime minister, and the rest of the Cabinet. The last backbencher to be so honoured was Sir Winston Churchill in 1959 when he was shepherded to the front of the queue by Harold Macmillan.

FINANCIAL TIMES
Wednesday April 29 1992

Employers refuse increased pay offer as union threatens escalated action

German strike disruption spreads

By Quentin Peel in Bonn

THE GERMAN public sector strike spread yesterday, halting public transport throughout the Ruhr industrial region and causing massive traffic jams on the motorways, as both sides dug in for an extended battle.

The ÖTV public service union promised to call out refuse disposal workers across the country today in a deliberate escalation of the wage conflict with both central and local government employers. Up to 4m metal and engineering workers have threatened large-scale warning stoppages, also beginning today.

More railway and postal workers came out, causing further train delays and a mounting backlog in the mail.

Yet in spite of the disruption, the vast majority of workers still managed to get to work, although many were delayed.

There was no sign of the employers' softening, although all three chief negotiators – from the central government, the states and local authorities – appealed for talks to continue.

The employers refuse to improve on their pay offer of 4.8 per cent, although they are talking of more money for the low paid, and possible improvements in fringe benefits. The unions, led by the ÖTV, are adamant that they will not negotiate unless an improved offer is put on the table.

The worst chaos yesterday was around the city of Düsseldorf, the capital of North Rhine-Westphalia, where traffic jams of up to 60km were reported from the surrounding motorways. Commuters had to walk, cycle or drive to work in private cars or taxis, causing a boom in both cycle-hire and taxi fares in the Ruhr region.

The deliberate escalation of the conflict was announced in Stuttgart by Mr Wolfgang Warburg, deputy leader of the ÖTV. He said that refuse workers would come out across the country today, as well as hospital administration workers in six cities – Heidelberg, Ludwigsburg, Ulm, Duisburg, Cologne and Munich. Some 170,000 workers were reported on strike yesterday, compared with 75,000 on Monday.

"We must step up the pressure," Mr Warburg told an press conference outside union headquarters, after the building was evacuated after a bomb threat.

Refuse collection strikes began yesterday in three states, but the main focus was on the public transport disruption. Mrs Monika Wulf-Mathies, the militant ÖTV leader, told a Duisburg strike meeting: "We will strike until the employers make a new and better offer."

Chancellor Helmut Kohl, although officially aloof from the conflict, is insisting that the pay deal must remain below 5 per cent, against a union pay claim of 9.5 per cent, and an arbitration tribunal award (rejected by the employers) of 5.4 per cent.

Mrs Wulf-Mathies says the union would have accepted 5.4 per cent, but now wants more. Mr Björn Engholm, leader of the opposition Social Democrats, is urging the employers to pay the 5.4 per cent.

The strike comes amid confused economic signals. Latest figures for industrial production in eastern Germany – where workers are not on strike – showed a new drop of 4.5 per cent in January, with a fall of no less than 8.5 per cent in manufacturing industry. The cost of subsidising jobs in the east is the main reason for a severe budget squeeze on the entire public sector – and the tough government line in the pay talks.

On the other hand, the engineering industry reported a real increase in orders of 7 per cent in March.

Maastricht pact, page 2

Brussels delays publication of car price study

By Andrew Hill in Brussels

SIR LEON BRITTAN, the European Community's competition commissioner, yesterday postponed publication of his controversial and long-awaited study of car prices for at least a week under pressure from his fellow commissioners including Mr Jacques Delors, the Commission president.

Publication of a parallel study of the EC motor industry will almost certainly go ahead after Mr Martin Bangemann, the industry commissioner, agreed to make changes to his text, partly to satisfy Sir Leon.

The wrangling over the two documents is the latest episode in the dispute between Sir Leon and Mr Bangemann over why car prices differ substantially across the EC, and how they can be brought into line.

The internal debate in Brussels reflects a fierce Community-wide battle between manufacturers and consumer groups over the best way of reconciling an open market in cars and high standards of safety and service.

The study prepared for Sir Leon, the method of which is likely to be challenged by EC car manufacturers when it appears, indicates that car prices differ by as much as 40 per cent between some EC countries.

Germany and Spain had the greatest number of high price models in 1988, while in January 1989 the highest price models were concentrated in the UK. Spain had by far the greatest number of high price models in the three study periods in 1990 and 1991.

Sir Leon and Commission competition officials lay most of the blame for the discrepancies on the "selective distribution" system of exclusive car dealerships, which restricts the sales of new cars in the Community to dealers chosen by the manufacturers. The system, which has also been attacked by consumer groups, is sheltered from EC competition rules until 1995.

Mr Bangemann and his advisers agree that specific abuses of the system should be punished, but say there are other reasons for the differences in prices.

They argue that the exclusive dealership system could be maintained in some form for a further four years after 1995.

This would be partly to protect EC manufacturers from indirect imports of Japanese cars, which will be allowed full access to the European market from the end of 1999. It is these passages which have caused friction with Sir Leon.

"We have offered to take the car price paper a bit later, on the basis that selective distribution is left neutral in the Bangemann text, so that it doesn't close any options," one of Sir Leon's advisers said yesterday.

Mr Bangemann's officials said they had made only minor changes to the passages in the motor industry document. The debate about the exact wording of the text is likely to continue today.

Split on training plan, Page 3

Major claims UK economic recovery is now under way

By Michael Cassell and Peter Marsh in London

STEADY and stable economic recovery is under way in Britain, which is poised on the brink of a new era of prosperity, Mr John Major, the UK prime minister, claimed yesterday.

In his first keynote speech since the general election, a confident and optimistic Mr Major told the Institute of Directors that Britain was "ready to move forward, just when some of our main rivals are running into difficulties".

Mr Major's comments were reinforced by a survey of industrial trends published yesterday by the Confederation of British Industry which showed that manufacturing was likely to move out of recession later this year.

The CBI said the "economic tide is turning" for the sector. But it warned that many companies were still cutting investment and said factory production was about 10 per cent below its level before the recession started in early 1990.

Speaking to 2,500 company executives at the Royal Albert Hall in London, Mr Major claimed that Britain had decisively turned its back on high taxes, high inflation, trade union power and interventionist policies. People recognised that free enterprise – not state intervention and socialism – was the route to national health and prosperity.

In a passage less strident than Mrs Margaret Thatcher's pledge to destroy socialism, her successor nevertheless said that the government intended to secure continuing prosperity by removing the "pendulum of uncertainty" that hit business prospects before elections.

The prime minister went out of his way to pay tribute to Mr Norman Lamont, the chancellor, who he claimed had done "an outstanding job for Britain" during a difficult 18 months. The chancellor, he said, had never taken the easy road "but always the right one".

He said the outlook for unemployment was beginning to look more hopeful and the jobless figures could be expected to steady before falling back.

Mr Major stressed that Britain needed a recovery that was sustainable, and the government was determined to pursue policies which minimised the risk of a recession occurring again. He added: "As spring advances, so will confidence."

He identified his government's targets for the 1990s as "stable prices, sustained industrial peace, free enterprise given the chance to compete and win, and lasting growth without the scourge of inflation".

The prime minister was applauded when he pledged early legislation to complete the government's reform of trade union laws and said he intended to "hold at bay" the provisions of the EC social chapter which would add £5bn to the costs of British industry.

Major pledge, Page 12
Quarterly survey, Page 12

THE LEX COLUMN

Midland's dark horse

On the surface, Lloyds' proposed bid for Midland should have been a knock-out. But although its initial value was just over the top market estimates of Midland's worth, the target's price was remarkably slow to respond. By yesterday's close it was still 12 per cent below the 447p level where the Lloyds offer had settled. That hardly suggests investors believe Lloyds will win its looming battle with the competition authorities.

Were it to succeed, the deal would look attractive even at this heady price. HSBC cannot point to £700m in cost savings through rationalisation – though it must be a source of shame to British clearing banks that their industry is carrying so much fat. The deal would involve a hefty goodwill write-off, and there would be a £550m restructuring charge. But the merged entity would still have a tier 1 capital ratio of over 5 per cent even before touching Lloyds' £900m of surplus provisions for Third World debt.

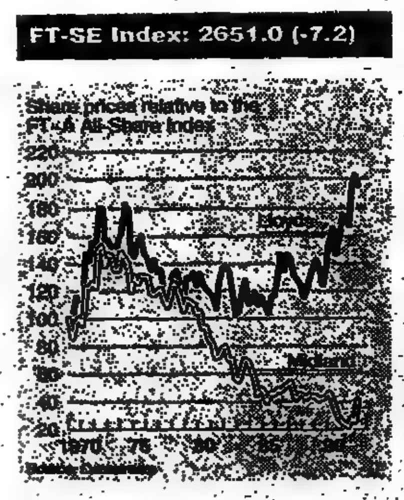
But the competition policy issue is serious, even though the debate will be highly political and the outcome can only be guessed at. Lloyds' argument that consumers will benefit from orderly rationalisation in an over-supplied market may be readily appreciated – though not automatically accepted – by those familiar with the industry. It looks less convincing to a general public worried about redundancies and small businesses.

But Lloyds has already succeeded in making its rival look even less generous than before. Lloyds' offer may not represent a realistic valuation of Midland, if it turns out to be based on an anti-competitive strategy. But that will not necessarily stop Midland shareholders holding out for more from HSBC, which is thus on the spot. Any increase would be significantly dilutive even if it could be built into the existing structure. HSBC cannot offer more equity without upsetting its share price. There are already doubts about the market's ability to digest its loan stock. Straight cash might upset China. Midland's closing price yesterday was also marginally below the HSBC offer. There is still a chance it may remain independent after all.

Merger issues

The battle for Midland looks the biggest test yet for the EC's still relatively untried merger rules. Lloyds' intervention, after all, raises the possibility of two bids for the same target being scrutinised by different

FT-SE Index: 2651.0 (-7.2)



regulators, with all the scope for unwitting prejudice which that might involve.

When Sir Leon Brittan recently referred the Tarmac/Steetley joint venture back to London – where it was considered alongside Redland's simultaneous bid for Steetley – he emphasised that related cases ought to be dealt with by a single authority. But though that principle may yet prove significant, the issues this time are much more complicated, and the political and financial stakes considerably higher. As of last night, the chances of the Lloyds offer reaching first base appeared to hinge on its efforts, via the UK government, to persuade Brussels that responsibility for investigating the Hong Kong bid should also be returned to the UK. The widespread assumption is that under the special criteria applied to banks, the EC authorities are automatically excluded from Midland/Lloyds. Their right under the same legislation to deal with the Hong Kong bid is far from clear either, notwithstanding confirmation yesterday that a preliminary one month investigation is to go ahead.

The investment community should therefore be prepared for a fierce battle for turf in which politics may well play as big a part as strict interpretation of the law. Brussels is every bit as jealous of its sovereignty as the British government, and in any case the EC's merger team has long been thirsting to get its hands on a juicy British bid. Sir Leon will hardly want to end his term as Competition Commissioner with a whimper. The reaction in London in any case might conceivably be to let him get on with it. The UK would not be the first EC member state to allow Brussels to handle the political hot potatoes.

US economy

While the 2 per cent rise in US output in the first quarter was the sharpest in three years, it is also a warning against high expectations. Past US recoveries have kicked off with growth of 6 per cent and more. But in past recoveries, the US consumer enjoyed lower or even negative rates of real interest, had higher savings and lower debt in relation to income and was less worried about job security. US consumer confidence is higher now than in previous months. But it is still lower than a year ago. The US economy may not be burdened by Germany's explosion of public spending or Japan's memory of frantic asset inflation. But until its legacy of debt is worked off, growth at much more than 2 per cent may be slow in coming.

So why is Wall Street so obstinately cheerful? The optimist would reply that the restructuring of US industry and the huge extraordinary write-offs of last year leave room for a rebound in corporate earnings this year of maybe 40 per cent. But that is largely a matter of swings and roundabouts. On a longer view, it is not quite clear why the Dow should be 10 per cent higher than at its pre-recession peak in 1990. These earnings expectations had better not be disappointed.

Borland

Yesterday's full year results from Borland International, the US software group, showed why its shares have nearly halved to $26 in the last three months. The $146m cost of integrating the Ashton-Tate acquisition resulted in a net loss of $110m for the year. On the face of it, the Borland fairy tale has ended nastily.

It is thus worth recalling that even now the shares have outperformed the market more than threefold since the start of 1990. Borland argues that progress last year was hindered not just by Ashton-Tate but by preparing the now imminent launch of a new generation of products. It professes confidence that its bottom line will be restored to health this year. Given that rival Microsoft recently announced its intention to enter Borland's market for database software, the going may be tougher thereafter. Investors should wait to see how the new products fare before taking a view.

Japan wants formal links with CSCE

By William Dawkins in Paris and Quentin Peel in Bonn

MR Kiichi Miyazawa, the Japanese prime minister, will propose formal relations between Japan and the 51-member Conference on Security and Co-operation in Europe (CSCE) in his talks with heads of state in Paris and Bonn this week.

Mr Miyazawa began a two-day visit to Paris and Bonn yesterday. He is due to meet French president François Mitterrand today and German chancellor Helmut Kohl tomorrow.

His trip is intended to raise the profile of Japan in the forging of a new international order to replace Cold War relationships, in which stronger bilateral ties with the European Community and closer involvement in other international organisations, such as the CSCE, are seen as crucial.

Japan has so far not spelt out precisely what it means by formal links with the CSCE, which officials describe as "an institutional framework for the reinforcement of its relationship" with the organisation.

Pointing out that the group stretches from Vancouver to Vladivostok, they say that inevitably its attitudes to security, disarmament and human rights all concern Japan closely.

Mr Miyazawa emphasised yesterday that closer relations with France and Germany were "essential for the establishment of a new international order."

It is understood that Japan and the EC will meet on the eve of the Group of Seven world economic summit in Munich in July to co-ordinate their positions more closely. Japanese officials say the G7 meeting is seen in Tokyo as the most important forum in which Japan is a full participant.

After the G7 talks in Washington, at which Japan as well as Germany were pressed to boost economic growth, Mr Miyazawa is keen to persuade Mr Mitterrand and Mr Kohl of the genuine efforts to do this. Mr Miyazawa, in an interview with Le Figaro, stressed Japan's willingness to contribute to United Nations peacekeeping in Cambodia and elsewhere and promised to press for parliamentary approval of a controversial law allowing Japanese soldiers to serve the United Nations "so that Japan can fulfil its responsibilities in the international community".

Today he will also meet Mr Pierre Bérégovoy, France's new prime minister, which will provide an opportunity to improve relations with Tokyo, damaged by the fierce criticisms of Japanese trade practices by Mrs Edith Cresson, his predecessor.

Mr Miyazawa is not expected to offer any formula to break the deadlock in the Uruguay round, although Japan wants the participants to present proposals for market access without waiting for a solution of the EC-US farm trade dispute.

Big customers welcome banking rationalisation

Continued from Page 1

and insurance companies, said: "The larger companies have the bargaining power to stand up to the banks but we have to go along with what they say".

Ms Jane Lyon, managing director of Clam-Brummer, an East London manufacturer of industrial adhesives, said: "A merged Lloyds/Midland would be even more out of touch with its small business accounts".

The main banking union, the Banking, Insurance and Finance Union, said it would fight a takeover at the Mergers and Monopolies Commission, in parliament and, if necessary, in Europe.

Mr Ed Sweeney, Bifu deputy general secretary, said: "No job at either bank would be safe."

MPs of all parties said that Mr Michael Heseltine, Trade and Industry secretary, should refer the Lloyds bid to the Monopolies and Mergers Commission.

The Labour opposition was swift to call for an MMC investigation. Labour City spokesman Mo Mowlam said:

"What I want the Government to look at when considering the two bids is not just the benefits to the shareholders, which the Lloyds offer will clearly take into account, but they should also consider the future of the workforce."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	R	9	48	Frankfurt	C	15	59	Majorca	S	21	70	Oporto	S	16	61	Tenerife	S	21	70
				Brussels	C	10	50	Geneva	R	12	54	Malaga	S	22	72	Oslo	C	11	52	Tokyo	S	22	72
				Budapest	F	24	75	Gibraltar	S	25	77	Malta	S	25	77	Paris	C	12	54	Toronto †	S	3	37
Ajaccio	S	19	66	Buenos Aires	C	22	71	Glasgow	R	7	45	Manila	F	37	99	Prague	F	17	63	Tunis	S	24	75
Algiers	S	27	81	Cairo	S	27	81	Helsinki	C	6	43	Melbourne	F	18	64	Reykjavik	F	3	37	Valencia	S	23	73
Amsterdam	R	11	52	Cape Town	F	17	63	Hong Kong	F	28	82	Mexico City	R	21	70	Rhodes	S	18	64	Venice	S	22	72
Athens	S	22	72	Caracas	C	31	88	Innsbruck	F	22	72	Miami †	S	16	61	Rio de Janeiro	R	29	85	Vienna	F	18	64
Bahrain	S	27	81	Casablanca †	F	20	68	Inverness	R	9	48	Milan	F	19	66	Rome	S	18	64	Warsaw	S	17	63
Bangkok	F	38	100	Chicago †	S	1	34	Islamabad	C	27	81	Montreal †	S	7	45	Salzburg	S	21	70	Washington †	F	9	48
Barcelona	F	17	63	Cologne	R	12	54	Istanbul	S	24	75	Moscow	S	13	55	S'Francisco †	S	14	57	Zurich	F	15	59
Beijing	S	21	70	Copenhagen	F	9	48	Jakarta	R	32	90	Munich	S	19	66	Seoul	R	13	55				
Beirut	S	19	66	Corfu	S	20	68	Johannesburg	S	17	63	Nairobi		–	–	Singapore	F	32	90				
Belfast	C	8	46	Dallas †	C	17	63	Lisbon	C	19	66	Naples	S	21	70	Stockholm	F	13	55				
Belgrade	S	25	77	Dublin	C	10	50	London	R	9	48	Nassau	C	27	80	Strasbourg	F	17	63				
Berlin	F	16	61	Dubrovnik		–	–	Los Angeles †	S	17	63	New Delhi	S	38	100	Sydney	F	23	73				
Biarritz	C	12	54	Edinburgh	R	12	54	Luxembourg	R	12	54	New York †	C	9	48	Taipei	C	29	84				
Bombay	S	31	88	Faro	S	24	75	Madeira	F	19	66	Nice	F	17	63	Tangier	S	23	73				
Bordeaux	F	14	57	Florence	S	23	73	Madrid	S	25	77	Nicosia	S	22	72	Tel Aviv	S	24	75				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday April 29 1992

INSIDE

SmithKline Beecham expands in Germany

SmithKline Beecham has bought Sächsisches Serumwerke, the largest producer of influenza vaccines in Germany, from Treuhandanstalt, the German privatisation agency. The move takes the Anglo-US pharmaceuticals group into flu vaccine manufacture for the first time. Page 29

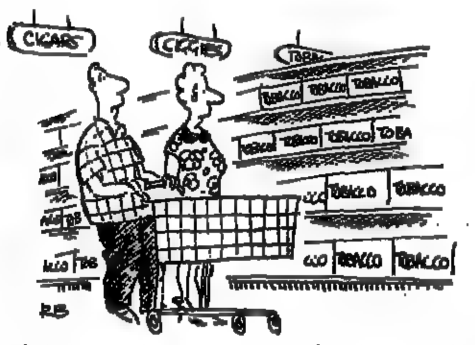
Waterford Foods up 40%

Waterford Foods, Ireland's largest dairy group, has reported a 40 per cent jump in pre-tax *profits to I£15.8m ($25.2m). Page 28*

Yanase ties up Opel in Japan

Yanase, one of the leading foreign car importers and distributors in Japan, is believed to have reached agreement with Opel, the European subsidiary of General Motors, to become the exclusive importer and distributor of Opel products in Japan. Yanase disclosed last week it was abandoning its long-standing relationship with Volkswagen, the German carmaker, which it has built into the leading foreign car importer in Japan. Page 26

Zimbabwe counts the cost



Zimbabwean farmers are counting the cost of one of the worst droughts in memory. Nationally, rainfall has been less than half the seasonal average and crop production, with the exception of drought-resistant tobacco, has been devastated. Page 30

Reforms raise Swedish hopes

The Stockholm stock market is in an optimistic mood as the combination of proposed tax changes, *the lifting of restrictions on foreign* ownership, and an upturn in the US economy seem likely to attract further international investment in Swedish equities. Page 46

Insurance dispute nears end

Union des Assurances de Paris, the leading player in the French insurance industry, may be approaching the end of its protracted negotiations over the future of Colonia, the German *insurer controlled by Victoire. Page 23*

Taiwan supports McDonnell deal

Taiwan's government may support a proposed deal for a Taiwanese company to buy a stake in the commercial aircraft business of McDonnell Douglas. Page 24

Market Statistics

Base lending rates	42	Liffe equity options	27
Benchmark Govt bonds	27	London tradit. options	27
FT-A indices	31	Managed fund service	38-42
FT-A world indices	Back Page	Money markets	42
FT/ISMA int bond svc	27	New int. bond issues	27
Financial futures	42	World commodity prices	38
Foreign exchanges	42	World stock mkt indices	43
London recent issues	27	UK dividends announced	28
London share service	31,36,37		

Companies in this issue

Arab Int'l Bank	24	London Clubs	15
Arbed	23	MIPS	25
Ayrshire Pharms	26	MacMillan Inc	25
Barclays	28, 23	Matthew Clark	28
Bethlehem Steel	25	McDonnell Douglas	24
Bibby (J)	21	Midland Bank	31, 22, 1
Boeing	25	National Bank Greece	26
Borland Intl	28	Nobel Industries	25
British Gas	31	Olympia & York	25
British Petroleum	31	Pepsico	25
CRA	24	Pilkington	28
Case	21	Plastiseal	28
Clive Discount	15	RJR Nabisco	25
Crown C'munications	28	Randcoal	24
Edinburgh Inv Trust	29	Rhône-Poulenc	23
Eridania	23	Royal Bank Scotland	15
Explaura	29	S&U	28
Finanzauto	21	SSW	29
First Trust Bank	29	Schneider	23
Fletcher Challenge	25	Sennah Rubber	29
Folkes	29	Skandia	26
General Motors	21	SmithKline Beecham	29
Govett Oriental	28	TSW	28
Grand Metropolitan	23	Tamaris	29
Halnia	26	Tenneco	21
Hoechst	21	Toyo Shinkin Bank	24
Hongkong Bank	1, 22	UAP	23
Hyundai	4	USAir	26
Italgas	23	United Biscuits	29
LBC Radio	28	Wagons-Lits	23
Land Securities	31	Walt Disney	25
Lloyds Bank	31, 22, 1	Waterford Foods	28
Lloyds Chemists	28	Whirlpool	24
		Yule Catto	29

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Didier-Werke	156.5	+	4.5
Linotype-Hell	415	+	26.5
Falls			
Asko	835	–	15
Heidelb Zem	923	–	22
Hochtief	1261	–	24
Karstadt	616	–	9.5

NEW YORK ($)

Rises			
Chrysler	19	+	⅜
Coleman	26½	+	1¾
Ford Motor	[illegible]	+	[illegible]
Pepsico	34¾	+	1
Falls			
Microsoft	[illegible]	–	4¼
Whirlpool	42⅞	–	2⅝

PARIS (FFr)

Rises			
Bongrain	3089	+	159
Bouygues	649	+	16
Essilor Int	469.9	+	15.9
Paribas	419	+	19.9
Falls			
Fonc Lyonnaise	870	–	18
Gal Lafayette	1925	–	175

TOKYO (Yen)

Rises			
[illegible]	430	+	46
Ishihara Sangyo	335	+	29
Japan Casting	400	+	35
Kanse	590	+	58
Nitto Chemical	395	+	35
Riken	530	+	45

LONDON (Pence)

Rises			
Allied Leisure	60	+	8
Assoc Nursing	138	+	11
Black Arrow	38	+	4
Bowthorpe	264	+	10
BP	263½	+	7½
Clyde Blowers	338	+	20
FKI	78	+	4
Folkes	52	+	3
Lasmo	239	+	11
Linton Park	198	+	20
Midland Bank	394	+	13
S & U Stores	216	+	45
[illegible]	17¾	+	1¼
Serif Cowells	10	+	3
Tay Homes	191	+	18
Yule Catto	247	+	10
Falls			
APV	126	–	5
Bibby (J)	164	–	11
Explaura	15¾	–	1¾
Lloyds Abbey	423	–	15
Perkins Foods	124	–	12
Plastiseal	31	–	3

Smaller loss puts GM in the black

Carmaker helped by reduced deficit in North America, writes Martin Dickson

GENERAL MOTORS, the US carmaker in the throes of a sweeping restructuring, yesterday announced a return to modest profit after six quarters of red ink, thanks to lower losses in its core North American vehicle operations.

The company reported first-quarter net income of $179m and a sharp improvement on the $1.1bn loss in the same period last year before $942m of non-recurring gains. Sales and revenues rose from $29.19bn to $32.04bn.

Wall Street had forecast a modest loss, although recently the company appeared to hint at a profit. GM's shares rose $⅛ to close at $40¼.

The figures should help GM over the next few months as it tries to sell about $2.3bn of common stock in the largest-ever international share offering, apart from privatisations.

Mr Robert Stempel, GM chairman, said the $1.3bn profit turnround, in spite of "a very slow economic recovery in the US", was due mainly to an improved performance by its North American operations.

GM, with other vehicle manufacturers, has been hit by recession in the US and over-capacity in the car industry. However, the company's capacity and productivity problems are more serious than its rivals and last December Mr Stempel announced a sweeping restructuring for North America, involving 70,000 job losses and 21 factory closures.

Earlier this month, GM's non-executive directors, dissatisfied with the speed of reform, staged a boardroom coup which clipped Mr Stempel's wings and demoted two of his lieutenants.

Mr Stempel said yesterday's results demonstrated "that GM's management and employees recognise it is no longer business as usual, and that management is implementing various measures to restore profitability in the North American automotive operations".

The company said North American operations benefited from increased factory sales, manufacturing cost efficiencies, lower per-unit selling expenses, material cost reductions and a more profitable product mix of retail to fleet sales.

The company's US dealers sold 1.03m cars and trucks in the first quarter, up 3.6 per cent on 1991.

GM's international vehicle operations had "continued at strong profit levels".

The company's return to profits was helped by improved performances from its non-vehicle operations, with GH Hughes Electronics earning $181m (up from $97m), Electronic Data Systems making $133m ($122m) and General Motors Acceptance Credit, its finance arm, $354m ($306m).

Earnings per share on common stock were 2 cents a share, against a loss of 40 cents a share.

Nikki Tait analyses the rise of the latest US boardroom favourite

Demergers replace the buy-outs

No one could claim that merger and acquisition work is booming in the US. Leveraged buy-outs have *ground to a near-halt, and there* has been only one acquisition of more than $1bn this year. But what about "demergers"?

Last week, Ralston Purina, the St Louis-based consumer products company with interests ranging from dry-cell batteries to pet food, announced the possible spin-off of its baking subsidiary, Continental Baking Company, to existing shareholders. This is the nation's largest wholesale baker, and the division's near-$2bn in annual sales derives from such standard household fare as Wonder bread and Twinkies cupcakes.

The business was bought for $475m in 1984, and its likely divestiture will probably involve a $800m dividend payment from Continental to Ralston. That, in turn, has spurred thoughts that the consumer products group – which has just bought Ever Ready in the UK from Hanson – *may be planning further acquisitions.*

Even if the transaction is approved by Ralston's board this month, it will take months to complete. Nevertheless, Ralston does not seem to be the only company taking advantage of the demerger concept.

Only a few weeks ago, for example, Dial Corporation, another consumer products conglomerate, spun off its sizeable financial services division as an independently quoted company.

And a mere 24 hours before the Ralston news, Union Carbide, the *chemicals group, confirmed that* a demerger of its industrial gases business should be complete by the end of the second quarter.

A few swallows do not make a *summer, but figures from Securi*ties Data, which tracks deal activity generally, confirm – at least, tentatively – that "demerger" interest is on the rise. In the first quarter of 1992, the firm calculates that 13 demerger deals were announced. This contrasts sharply with the six or seven demerger proposals unveiled in *each of the five preceding quarters.*

In fact, activity in the first quarter of 1992 represents a return to levels last seen during the first nine months of 1990. Then, there were 17 demergers announced in the first quarter, 13 in the second and 19 in the third.

In one sense, the timing of this rise in demerger activity is surprising. Demergers have often been seen as a defensive reaction to hostile bid activity or shareholder agitation.

Perhaps the best recent example would be USX, the large steel and energy group which split these two activities into separately quoted companies – US Steel and Marathon – under dogged pressure from Mr Carl *Icahn, the corporate raider.*

Today, although shareholders' grievances are still being voiced, they are more likely to come from institutional investors than from buccaneering bidders with fistfuls of threatening cash. Hostile bids have largely disappeared.

However, in other respects, the *modest rebirth in demergers may* be more explicable. Usually, the aim of the demerger is to rid a diversified group of a lowly rated subsidiary, and hence improve the stock-market image of the remaining business. Companies contemplating *such a move* invariably talk of "enhancing shareholder value".

With Wall Street at record levels, and some trade buyers facing financing problems, divestiture by means of a demerger may begin to look more attractive than the *conventional sale route.* Certainly, it spares management any criticism that a business – which itself may not be in the best of health – has been under*sold during a recessionary credit* crunch.

Even so, choosing between a demerger and a trade sale is rarely easy. For example, Mr John Teets, chairman of Dial, admits that the decision over how to handle the group's transport manufacturing business – also up for divestiture – is more *finely balanced than the earlier* election to demerge the finance arm.

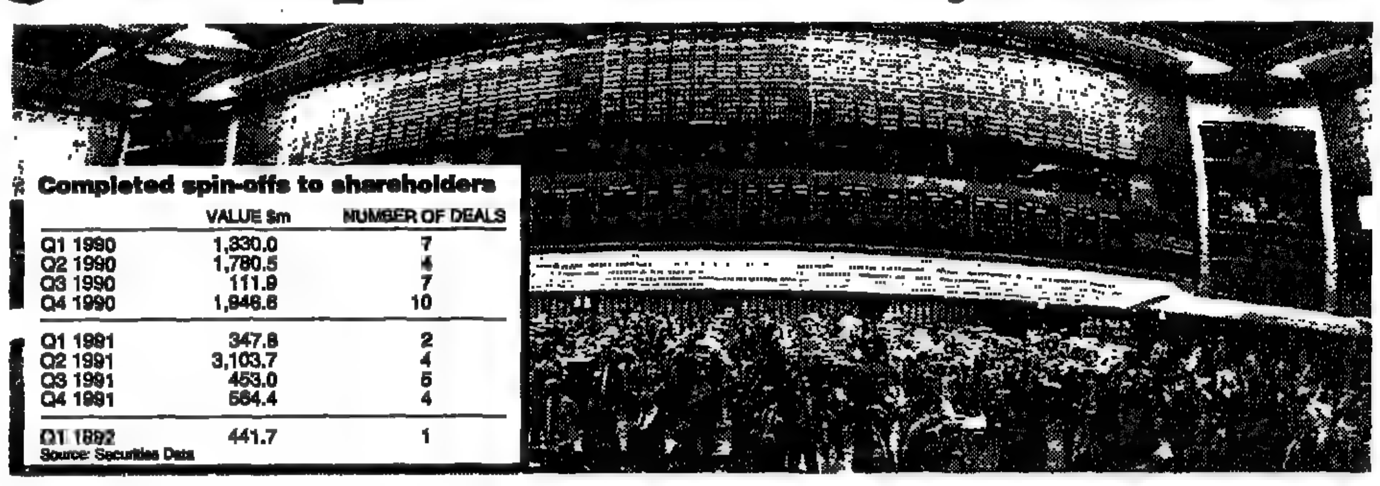
"A spin-off is much more complicated than a sale," he notes. "The business has to stand alone, on a credit rating which is at *least triple-B. It must have the* ability to offer performance bonds on contracts it bids for. And it must have a cash-flow and earnings record that's going to be recognised on Wall Street."

The real test of any demerger, of course, is whether shareholder value is, indeed, created – and, as no one can ever judge how *shares in an "undemerged"* company would have fared, any judgment tends to be subjective. But the process is certainly not a guaranteed winner.

Mr Icahn's punt on USX, for example, ended with the sale of his 13.3 per cent stake only eight days after the stock split at the equivalent of $30 per old USX share. The tycoon had bought the stake up to five years earlier, at an average price of $24. His return significantly underperformed that of the US stockmar*ket generally.*

Still, Mr Icahn may have been wise to get out when he did. Since just before the stake sale in May 1991, USX-US Steel shares have eased from $25¾ to $24¾ and USX-Marathon shares have *fallen from $26¼ to $21½. So, in* share price terms and even allowing for recession, the demerger has scarcely been a startling success.

However, if the long-term impact is sometimes debatable, the immediate reaction may be more positive. Ralston, whose bakery business operates in a *mature market* and has suffered profit pressure recently, had the satisfaction of seeing its shares gain $¾ to $48⅛ last week, after the news was announced.



Completed spin-offs to shareholders

	VALUE $m	NUMBER OF DEALS
Q1 1990	1,330.0	7
Q2 1990	1,780.5	4
Q3 1990	111.9	7
Q4 1990	1,946.6	10
Q1 1991	347.8	2
Q2 1991	3,103.7	4
Q3 1991	453.0	5
Q4 1991	564.4	4
Q1 1992	441.7	1

Source: Securities Data

Hoechst declines by 26% pre-tax

By Andrew Fisher in Frankfurt

HOECHST yesterday continued the tale of woe from the German chemical companies by announcing a 26 per cent decline in pre-tax profits to DM605m ($367m) in the first quarter of 1992.

Nor did the company see an early improvement in activity. Hoechst said it hoped for a more favourable trend in operating profits in the course of this year although no significant revival in business had been seen so far in the second quarter.

The first-quarter profit represented a yield on turnover of 5.3 per cent against 7.3 per cent in the same period last year. In the whole of 1991, pre-tax profits dropped 20 per cent to DM2.6bn, with turnover 5 per cent higher at DM47bn. The company cut its dividend by DM1 to DM12.

Hoechst said demand had *picked up considerably in the* first three months compared with last year's fourth quarter, but was still weaker than the normal seasonal level. There were few signs of economic upturn either in western Europe *or the US, with growth slowing* in Germany and Japan.

Group turnover in the quarter was 2 per cent higher at DM11.5bn. Volume sales were 2 per cent higher, but prices fell at the same rate under the weight of heavy competition. The higher value of the dollar and yen against the D-Mark accounted *for the slight turnover advance.* In Germany, turnover was also up by 2 per cent; business in industrial chemicals was weak, with the increase coming from higher sales of pharmaceutical products.

Hoechst's comments about the slackness of foreign markets were in line with those of Siemens, the German electrical and electronics group, which this week reported an 8 per cent rise in first-half net profits, mainly because of domestic growth. Siemens reported flat foreign business and benefited from orders *linked to economic reconstruction* in east Germany. Chemical companies have little involvement with east Germany's infrastructural rebuilding.

Hoechst said that its exports were weaker, although sales of dyes to the US and pharmaceuticals to Asia were higher. EC business was stagnant. The 12 per cent turnover rise in the US was due to the first-time inclusion of Great Lakes Carbon, the US graphite subsidiary, and the firmer dollar.

Tenneco net income rises to $33m in first quarter

By Martin Dickson in New York

TENNECO, the US conglomerate in the throes of a restructuring, yesterday announced a $32m improvement in first-quarter net income and the loss of 2,250 jobs in Europe with the closure of three plants run by its troubled Case *equipment subsidiary.*

The Houston-based company reported net income of $33m, or 30 cents a share, compared with $1m or a loss of 3 cents a share a year ago on flat revenues of $3.3bn.

Operating *income rose from* $113m to $215m. The figures were ahead of most analysts' forecasts but the shares dipped $⅝ to close at $43⅝.

Mr Michael Walsh, the new president and chief executive, plans to restore the company to "respectable levels of profitability" and to cut its balance sheet debt.

Yesterday's results included improved operating performances by all Tenneco's divisions, although Case, which makes agricultural and construction equipment, lost $77m. That compares with a loss of $147m a year ago, *when the subsidiary took a $32m* charge for staff cuts.

Case, which has been hit by a downturn in its markets and excessive inventory levels, said that restructuring would include closure of its plants in Carvin, France, and Zaragoza, Spain.

It said it had also sold selected assets of its Vibromax compaction equipment business and would close its plant in Düsseldorf, Germany, later this year.

These actions, which will reduce its European plants from 12 to nine, form part of a previously announced two-year plan to cut employment from 30,000 at the end of 1990 to around 20,000 at the end of this year.

Operating expenses were lower, while the subsidiary's worldwide production fell 25 per cent from a year ago and dealer inventories fell $900m. Mr Walsh said inventories were *now at or below* industry levels.

Tenneco's Packaging Corporation of America subsidiary produced operating income of $49m, up from $28m.

Its gas pipeline operations had income of $118m, up from $113m, in spite of the sale of a business which contributed income of $6m a year ago and the warmest US heating season on record.

Car parts saw a slight increase in income to $43m while shipbuilding contributed $53m, up from $49m.

Bibby bids for Caterpillar dealer

By Peggy Hollinger in London

J BIBBY & Sons, the industrial and agricultural conglomerate which is 79 per cent owned by the South African Barlow Rand group, yesterday launched a hostile £75m ($132.6m) bid for Finanzauto, Spain's only authorised Caterpillar dealer.

Mr Alan Gresty, Bibby's finance director, said the acquisition would strengthen the UK group's presence in Spain and Portugal, the European countries with the most growth potential.

Mr Gresty said he was confident the deal would be acceptable to Finanzauto's shareholders. "We are offering a very good price . . . and good multiple of 18.7 times 1991 earnings," he said.

The Finanzauto board on Monday night rejected the offer of Pta1,300 per share, a premium of 20.9 per cent over the Spanish company's closing price last Wednesday. Trading in Finanzauto was suspended on the Spanish stock market at Pta1,075 a share on Thursday as rumours of a bid inflated the price.

The board says the offer does not conform to the conditions negotiated by the board with Barlow Rand. If the offer goes unconditional with more than 51 per cent of acceptances, Bibby will also acquire Finanzauto's 59 per cent stake in Portugal's only authorised Caterpillar dealer Stet.

The acquisition will be funded through bank borrowings which, *in addition to Finanzauto's £117m* debt, would force gearing to more than 100 per cent. Mr Gresty said Bibby aimed to have gearing back below 100 per cent by the September year-end.

The group said it would reduce debt by selling Finanzauto's peripheral businesses and perhaps a rights issue. Barlow Rand has indicated it would be prepared to take up its rights.

Finanzauto reported profits before tax and minority interests of Pta1.4bn ($13.5m) on sales of Pta53.2bn for the year to December 31.

Bibby announced the offer in conjunction with interim results which showed a 2 per cent rise in pre-tax profits to £17m for the 26 weeks to March 28.

A reduction in interest charges from £4m to £2m, due to the £14.6m rights issue last May, and *lower base rates in the UK, was* the main reason for the profits rise.

Earnings per share fell from from 9.68p to 9.23p. The dividend was maintained at 2.85p.

COMPANY NEWS: UK

Regulatory hurdles may prove a stumbling block for Lloyds' bid

THE PRIME condition attached to Lloyds' bid is that it should have to run through no more regulatory hoops than its rival, the Hongkong and Shanghai Bank. Yet it was far from clear yesterday that this would be possible because of the complexities of the two-tier UK and EC regulatory structure.

Lloyds' fear is that, without this condition, its bid could run foul of the UK Monopolies and Mergers Commission because of the large share of the UK market which Lloyds/Midland bank would enjoy. On the other hand, the competing bid could sail through because of Hongkong Bank's relatively small share of the European banking market.

"This area is quite untested," said Sir Jeremy Morse, Lloyds chairman, yesterday. "This will be an early, big case."

Under EC rules dating from September 1990, a bid must be scrutinised by Brussels if the proposed merger exceeds a certain size, and a given proportion of its business is located within the EC. The Hongkong bid is already the subject of a four-week inquiry by Brussels to see whether it is "compatible with the common market".

It is unclear whether a Lloyds/Midland bid would also fall within Brussels' ambit. Competition lawyers say the decisive factor will be whether the banks have more than two-thirds of their business in the UK. In that case, the deal would automatically fall under British jurisdiction. Commission officials refused to be drawn on their calculations about the Lloyds/Midland case.

The crucial questions, though, concern what happens at the UK end. These are:

– Will the UK authorities investigate the bid? This will depend on the Office of Fair Trading, but the chances look high because of the two banks' large combined UK business. Together, they would have about 30 per cent of the market on many measures, compared with about 25 per cent each for NatWest and Barclays.

– If the OFT does recommend a referral to the MMC, would the UK also investigate the Hongkong bid, as Lloyds is demanding it should? For this to happen, Brussels would either have to decide that the case fell outside its authority and hand it back to the UK, or the UK could ask for it back on national interest grounds.

– If there was a UK monopolies inquiry, would the MMC judge the proposed mergers purely on the narrow grounds of competition? Or would it take into account the wider national interest, given the huge size of the banks involved, their key role in the economy, and the thousands of jobs at stake? During the 1980s, Mr Norman Tebbit, when trade secretary, sought to confine inquiries to competition issues. But the new trade secretary, Mr Michael Heseltine, may have different ideas.

Mr Heseltine is thought to be more interventionist and may prefer to return to a more widely based test of the public interest set out in the 1973 Fair Trading Act. This might include having regard to "the desirability of maintaining and promoting the balanced distribution of industry and employment in the UK". Lloyds' plans to shed up to 20,000 jobs from the merged bank might well fall foul of this test.

There are no useful precedents to make the picture clearer. The last big wave of bank mergers took place more than 20 years ago, since when monopoly policies have changed radically, not least with the arrival of Brussels on the scene.

The Bank of England takes a studiously neutral view of bank mergers – at least in public. But regulators are generally thought to favour them because they soften competition and should result in more strongly capitalised banks.

There are many possibilities as to what could happen next. If the Commission decides it has serious doubts about the effect on competition it can open a four-month in-depth investigation. If those doubts are confirmed, Sir Leon Brittan, the competition commissioner, can recommend that the deal should be blocked, or amended. It could be another five to six months before Hongkong Bank knows whether it can proceed with the deal.

The Lloyds bid will face an investigation by the OFT (which could take anything up to a month) before the director general of fair trading can decide whether to recommend to the trade secretary that it should be referred to the MMC. An MMC investigation could take about three months, after which its recommendations would go to Mr Heseltine for his final decision. All in all the process could take six months.

Because of the pre-conditions Lloyds has attached to its bid, the Takeover Code clock, which gives a bidder 28 days to post an offer document, will not start running. But Lloyds will still be subject to rules on acquiring and disclosing shares in Midland Bank. The bid would automatically lapse if it was investigated either by Brussels or the UK. But it could be many months before either bidder faces a clear road.

David Lascelles
Andrew Hill
Robert Rice

THE BATTLE FOR MIDLAND

Lloyds' advisers said they would be seeking confirmation from the Takeover Panel that in the event of a successful takeover for Midland it would not have to make a bid for 3i, the venture capital group, or a number of trade investments where its combined shareholding would be above the critical 30 per cent level.

By integrating the two businesses, operating costs of the enlarged group could be reduced by over £700m within four years of the merger – Lloyds Bank, of which **Sir Jeremy Morse** is chairman

'Midland will have to read Lloyds' terms before deciding whether to oppose the offer. But the bid is likely to be unwelcome. It could unsettle the morale of staff, who would be concerned about job losses should Lloyds succeed' – **Brian Pearse**, Midland chief executive

Shareholders express preference

A BIDDING war for Midland between Lloyds Bank and Hongkong Bank would almost certainly be won by the UK clearer, according to shareholders of the banks and analysts yesterday.

It also became clear that many Midland shareholders, most of whom are based in the UK, would prefer a Lloyds offer than one from Hongkong Bank. "If there were two solid bids on the table, Lloyds would win hands down," said one Scottish fund manager, summing up the attitude of Midland shareholders around the country.

Lloyds said its projected offer, worth 447p a share last night, could be justified economically on projections of profits from Midlands' operations, together with projected annual savings of £700m within four years from combining the two businesses.

Its shareholders could expect further potential gains from any increase in income following a takeover, for instance from selling insurance policies to Midland customers. Further income could also come from the sale of some branches, one of the plans to make the takeover more acceptable to the competition authorities. Both leave more room for Lloyds to increase its offer if need be.

"Midland is worth considerably more to Lloyds' shareholders than to Hongkong Bank's," one Lloyds adviser commented.

However, the extent to which the extra profits would find their way to Lloyds' shareholders is unclear. "Those benefits won't just flow to shareholders," said Mr Colin Wilks, Lloyds' chief finance officer. Customers would also benefit from the savings, he added – an argument which is key to Lloyds' ability to convince the competition authorities to accept its plans.

Yesterday, the bank would provide no further details of expected future income the merged bank could create, or how much of that would be ploughed back in investment.

Midland shareholders yesterday expressed a preference both for the price which Lloyds plans to offer, and for Lloyds as an enlarged group. HKB, some said, was seeking Midland precisely because it would like to reduce its own exposure to Hong Kong and move into other markets.

Meanwhile, a higher offer from Hongkong Bank would initially please neither Hong Kong's stock market nor the Chinese, both of which, for different reasons, would regard it as a mistake.

China has had a largely positive reaction so far to Hongkong Bank's move on Midland. But underlying its comments has been the view that the bank is paying enough by offering 378p a share.

A higher offer from Hongkong Bank, which would almost certainly be in the form of more equity and not cash, would probably be criticised by mainland Chinese interest in the colony. It is unclear, however, if such criticism would be turned into action which could prejudice the bank's operations in Hong Kong.

The announcement of Lloyds bid had the immediate effect of adding around HK$2.50 to Hongkong Bank's share price. The strength of its share price – which closed yesterday at $HK42.75 – has added some £300m to the theoretical value of its bid. However, it remains £300m less than the putative Lloyds offer.

Richard Waters
Norma Cohen
Simon Holberton

Teams on both sides line up

BATTLE LINES began to take shape yesterday as the phony war over Midland Bank at last broke out into the open, with the two combatants each weighing in with advisers who have not previously represented them on a substantial acquisition.

Hongkong's attack is being led by Mr William ("Willie") Purves, the bank's chairman since 1986. Mr Purves towers over the Hongkong Bank: nothing of importance happens without his personal approval. He and Sir Kit McMahon, former chairman of Midland, conceived the combination at an IMF meeting in 1987.

The Hongkong Bank team is split between London and Hong Kong, though much more of the day-to-day running of the bid is expected to move to London should Lloyd's offer clear the regulatory hurdles.

Around Mr Purves are gathered Mr John Grey, executive deputy chairman, and Mr Chalmers Carr, the bank's legal counsel. In the team is also Mr Simon Burrows, a financial planner who has been responsible for the bank's detailed study of Midland.

An all-out battle for control of Midland is also expected to see Mr Bernard Asher, the London-based Hongkong Bank director who chairs its investment banking operations of Wardley and James Capel, pitched into the ring.

Hongkong Bank's need for a senior figure in the UK to fight the bid is all the more pressing given its status as an outsider as far as the UK establishment is concerned. Mr Purves himself has called on government officials to make the bank's case, but on a trip to London last week did not call on Mr Michael Hesseltine, whose decision could be crucial in deciding whether the rival bids are to be referred.

Schroders, Hongkong's advisers, were called on board by Mr Purves, whose personal contacts with Mr Win Bischoff, the merchant bank's chairman, date back to the time when Mr Bischoff himself worked in Hong Kong.

Schroders' team running the bid, led by Mr Derek Netherton and Ms Alison Carnwath, suffers the disadvantage of dealing with a client based on the other side of the world – another factor which could see more control of the bid passing to London if Lloyds proceeds.

Lloyds has also called in new advisers, Baring Brothers, to help with its bid. It relied on its in-house advisers, Lloyds Merchant Bank, during its failed bid for Standard Chartered in the mid-1980s and its successful bid for Abbey Life, the insurance group. Mr David Horne, chairman of LMB, is now working alongside Mr Andrew Tuckey, chairman of Baring Brothers, and Mr Charles Irby, a Baring director, on the bid.

As with Hongkong Bank, Lloyds' bid is also directed very much from the office of its chief executive, Mr Brian Pitman.

Neither side has set up formal war cabinets to fight their corners – though should the battle escalate into all-out war such a move seems likely.

Simon Holberton
Richard Waters

How the banks compare

	Lloyds	Midland
1989 Pre-tax loss	£715m	£216m
1990 Pre-tax profit	£591m	£11m
1991 Pre-tax profit	£645m	£36m
Totals assets (at end 1991)	£51bn	£59bn
Shareholder's equity	£2.48bn	£2.35bn
UK branches	1,915	1,830
UK staff	58,500	51,200
Overseas staff	9,400	6,400
Bad debt provisions	2.8%	3.3%
Share of business market defined by number of accounts*	15%**	14%
Market share by business customers with less than £1m turnover*	15%***	15%
Market share by business customers with turnover between £1m and £10m*	15%****	16%

* Industry sources
** Natwest 28%, Barclays 27%
*** Natwest 27%, Barclays 28%
**** Natwest 27%, Barclays 25%

Bifu pledges to fight as job fears are confirmed

THE MAIN banking union, the Banking, Insurance and Finance Union, yesterday pledged to fight a Lloyds takeover of Midland at the Mergers and Monopolies Commission, in parliament and, if necessary, in Europe.

Bifu is hoping to scupper any bid by intensive lobbying – there had been no discussion at this stage of industrial action, it said.

Union fears that more than 20,000 jobs out of a total of 110,000 could be lost through a merged Lloyds-Midland operation were later confirmed by Lloyds. However, the bank stressed its intention to minimise compulsory redundancies. The union was yesterday in talks with Lloyds personnel chiefs in an attempt to strengthen existing agreements on job security.

Bifu, which represents nearly three quarters of Midland's staff at all levels, has already expressed its preference for a bid by the Hongkong and Shanghai Bank, from which it has had assurances on jobs.

The union said its argument to the MMC would be that Lloyds "would be eliminating one of its competitors with one hit and gaining an unfair advantage by taking over Midland customers." In contrast, a merger with Hongkong Bank would "bring new money into the country and increase competition."

Mr Ed Sweeney, Bifu deputy general secretary, said: "No job at either bank would be safe. We are totally opposed to a Lloyds bid which would be bad for jobs and bad for customers. The disappearance of a familiar face from the high street will not help competition one bit."

More than 10,000 jobs have already gone in Lloyds over the past three years, said Bifu. Overall, the union calculates that at least 27,000 jobs were lost from financial services companies last year. Even before yesterday's announcements, Bifu was predicting that at least 30,000 further jobs in the sector would disappear this year out of a total of about 500,000.

It was too early to say which group of staff would come off worst, said the union. Closures would depend on individual geographical considerations and which bank had the best facilities in any particular area. Job casualties would be among support functions, such as information technology centres, as well as in high street branches, said Bifu.

Diane Summers

Redundancy spectre stalks branches

MICHAEL thought he had a job for life until he heard the news. A counter clerk at a London branch of Midland, he said: "It's shattering news. We have always sacrificed salaries for security and perks like low mortgages. If I lose my job I will lose my house. I have no chance of getting another job in banking. The uncertainty is really stressful."

Most staff were unwilling to talk yesterday. Resistance was not given a thought as staff tried to keep a low profile and their jobs. Lloyds staff are in breach of their contracts if they make public statements.

Jane is a cashier in a Midland branch in the north-east. She said: "There isn't a branch of Lloyds nearby, so my immediate reaction was that I'd be OK. Locally, Barclays and NatWest are our competitors and we keep an eye on what they're doing.".

Jane comes from an area which has seen a sharp decline in traditional industries and manufacturing jobs. This has had an impact on male employment, in particular, and many households rely heavily on women's earnings.

Midland will not say how many of their staff have subsidised mortgages, but Bifu, the banking union, believes about a third benefit from the scheme. Like Michael, Jane fears for her home.

"A lot of our lives are bound up with the bank: we get a 5 per cent mortgage and I'm in a share option scheme. A lot of bank employees live in better houses than they would do otherwise because of the home loan. I don't know what would happen to that if you were made redundant".

Ms Fiona Phillips, a national executive member of Bifu who works as a lending officer in Midland's Macclesfield branch, said: "It is very demoralising. This year the bank made a profit and we were all optimistic and looking forward to a decent pay settlement. Now suddenly the black clouds of uncertainty are back again."

Jenny, a cashier in Bath, said: "I have not been able to concentrate all day. I don't suppose there is anything we can do to stop it. Everyone who wanted to take early retirement or redundancy has done so. Anyone still here really wants to be."

Catherine Milton

Dismay marks small businesses' response

DISMAY WAS the overriding response of Britain's small businesses to yesterday's announcement of Lloyds Bank's plan to bid for Midland Bank.

Reducing the number of large high street banking groups from four to three would restrict competition and further tilt the balance of power towards the large banking groups, according to small business owners and small business organisations.

The proposal comes at a time when small businesses are already disillusioned with the quality of service provided by the banks, particularly in the wake of last year's government investigation of allegations that bankers were not passing on lower interest charges to their customers.

The Forum of Private Business, with 19,000 members, calculated a merger would create a bank with 32 per cent of the small firms market (20 per cent from Lloyds and 12 per cent from Midland) compared with the 25 per cent market shares held by National Westminster Bank and Barclays Bank.

Mr Jonathan Fowler, chairman of Chinecrest Archives, a £1m turnover company which stores documents for the banks and for insurance companies, pointed out: "The larger companies have the bargaining power to stand up to the banks, but we have to go along with what they say".

A merger of the two banks would concentrate power in the banking field and in secondary areas of financing such as leasing and factoring, where both banks already have sizeable operations.

Mr John Cartwright, joint founder of Excalibur CBK, a Stoke-on-Trent-based manufacturer of fire fighting vehicles with sales of £2m and 25 employees, said: "I see this as the thin end of the wedge".

Mr Cartwright, who has banked with Barclays since setting up Excalibur eight years ago, said he feared that small businesses would have very limited choice if they wanted to change banks in future.

Apart from a lack of choice he considered that a merger would also create banking organisations even more remote from the concerns of small businesses.

Ms Jane Lyon, managing director of Clam-Brummer, an east London manufacturer of industrial adhesives, said: "A merged Lloyds/Midland would be even more out of touch with its small business accounts".

The Federation of Small Businesses, which has 50,000 members, described the timing of the proposed merger as particularly unfortunate.

Mr Stephen Alambritis, for the FSB, said: "This is a backward step during a recession. The banks already have a bad name for trying to recoup their losses from small businesses."

Charles Batchelor
Chris Tighe

Heseltine faces pressure to refer bid

MR MICHAEL Heseltine, the trade and industry secretary, faces strong – perhaps unstoppable – political pressure to refer a Lloyds' bid for Midland to the Monopolies and Mergers Commission.

Most Conservative MPs believe he should take a tough stance against Lloyds, in what would be one of his first decisions in his new job.

"If it were to be waved through without a referral there would be great disquiet," said Sir Michael Grylls, who was chairman of the Tory backbench trade and industry committee in the last Parliament. Labour was also swift to call for an MMC investigation.

One MP with experience at the Department of Trade and Industry said the director general of fair trading was almost certain to recommend referral and Mr Heseltine could not refuse – particularly given the anxiety of Tories about the banks' role during the recession, especially towards small businesses.

Hostility towards a Hongkong Bank bid for Midland was less marked because it was seen as less of a threat to competition.

Ralph Atkins

Takeover reactions vary

LARGE companies mostly welcomed the prospect of a leaner fitter banking sector following a takeover of Midland bank.

Small and medium companies were more concerned about the possible reduction of competition.

Mr Gerald Corbett, finance director of Redland, the large building materials group said: "In terms of clearing bank services, there is little between the major banks. I cannot see that it would make any difference to us."

Mr David Chater, finance director of Radyot, a maker of components for commercial vehicles based in Cradley Heath, east Midlands, said: "I believe in free competition and survival of the fittest. The engineering industry has seen a vast amount of rationalisation during the past ten years and this sort of move is long overdue in the banking sector. It's a good thing if it makes banks leaner and fitter."

The chief executive of a large textile company said: "This should have happened years ago. Damage has been done to the banking industry by the Bank of England's reluctance to allow this kind of thing.

"Any reduction in competition will not be damaging. If there are any signs of a cartel forming, then continental banks will start to play the UK business sector. Large companies do not rely on clearing banks anyway. Small business is a different matter, but Royal Bank of Scotland and other Scottish banks provide a serious alternative."

Most large industrial companies said that they used a range of domestic and international banks to raise finance and for corporate advice and would not be inconvenienced by a takeover of Midland.

Most companies welcomed the possibility of lower charges as a result of the closure of redundant branches and duplicated services.

Other companies were concerned about the loss of competition. T Cowie, the Sunderland-based motor finance and retail group, said it had banked with Midland for many years, borrowing money to finance its 60,000 vehicle company car fleet.

Mr Gordon Hodgson, chief executive, said: "We believe a successful bid from Lloyds would mean less competition in the supply of money, not more.

"From our point of view, a successful bid by Lloyds would be extremely disappointing. We have enjoyed a very positive business relationship with Midland going back several decades. We have always found them to be very good at servicing our business, so we would be very concerned about the level of service from Lloyds."

Mr Frank Nicholson, managing director of Vaux Breweries, part of the Vaux Group, warned: "Big in banking is not always beautiful." Vaux, founded 170 years ago, has banked for a century or more with Lloyds.

Leading corporate customers

FT-SE companies banking with Lloyds
Abbey National
Arjo Wiggins Apleton*
Associated British Foods*
Blue Circle*
Bowater
Courtaulds*
Hanson
Ladbroke*
Land Securities
PowerGen
Reed International*
Sears
Severn Trent Water
Shell Transport
Smith & Nephew*
Smith (W H)
Sun Alliance*
Tate & Lyle
Willis Caroon*
(*more than one bank involved)

FT-SE companies banking with Midland
Argyll Group
BOC Group
Eurotunnel*
Forte*
Kingfisher
Northern Foods*
Pearson*
Prudential Corp
Rothmans Intl*
SmithKline Beecham
Tesco*
Wellcome
Williams Holdings*
(*more than one bank involved)

FT-SE companies banking with both Lloyds and Midland
Bass*
British Aerospace*
BTR*
Coats Viyella*
General Electric*
Hillsdown Holdings*
P&O*
Sainsbury J*
(*more than Midland & Lloyds Banks involved)

FT-SE companies – information about bankers unavailable
Barclays
British Steel
British Telecom
Cadbury Schweppes
Fisons
General Accident
ICI
Lloyds Bank
Midland Bank
NatWest
Reckitt & Coleman
RTZ
Unilever

Sources: Analysts; Stock Exchange Yearbook; Arthur Andersen Corporate Register; Annual Reports

Arbed tumbles to LFr6bn and halves annual payment

By David Buchan in Brussels

ARBED, the Luxembourg-based steel group, yesterday announced a sharp drop in net profits to LFr6bn ($175m) last year, the halving of its dividend to LFr100, and the prospect of worse to come.

Confirming the cyclical nature of the steel business, Arbed said the drop in its net profit, after three good years including a 1990 profit of LFr9.8bn, was due to falling prices, under the pressure of imports, particularly from eastern Europe. The group said that finished steel prices had fallen, even in current francs, below the level of 1984.

At the turn of this year, the European Community removed its quotas on steel imports, which under newly negotiated association agreements with central Europe can enter freely from Poland, Czechoslovakia and Hungary. At the same time, Gatt talks on a Multilateral Steel Agreement and a subsidies code were stalled.

At current levels, prices were too low to make a profit on the majority of its steel products, Arbed said. As a result, turnover fell 5 per cent to LFr198bn.

Its total steel production last year stayed steady, decreasing by only 0.7 per cent from 1990 levels. With higher sales of wire products in Brazil, Arbed was able to compensate slightly for static or falling output in Europe.

The group invested a record LFr18.3bn, an increase of 67 per cent over 1990 levels. Most of its steel investment went into modernising production of flat products used in the car industry, though the group said it was also determined to "reinforce its European leadership" in heavy beams and sections, a staple of the construction sector.

Arbed, which is by far Luxembourg's largest industrial employer, said that it had reduced its workforce in the grand duchy by 565 people to 13,540, but employment in the group worldwide had risen by 530 to 29,530.

TV-am to bid for Channel 5

By Raymond Snoddy in London

TV-am, the UK commercial breakfast broadcaster, has joined Time Warner and Mr Conrad Black's Daily Telegraph group to create a consortium to bid for Channel 5.

The grouping could pose a serious threat to the other declared bidders for Channel 5 including Mr Silvio Berlusconi's Fininvest and Five TV, the company backed by Mr Moses Znaimer, founder of City TV in Toronto.

Mr Bruce Gyngell, chairman of TV-am, is to be the chairman of the consortium to be called The Entertainment Channel which will be based at TV-am's London headquarters.

TV-am lost its franchise in last year's competitive tenders for new broadcasting licences.

Bids for Channel 5 have to be sent to the UK Independent Television Commission by July and broadcasting has to begin by 1995.

Mr Jeremy Fox, an independent producer, is to be chief executive of the venture and the franchise application will be written by Mr David Keithley, head of public affairs at TV-am. The Entertainment Channel would offer a national service but have some local programming.

The presence of Time Warner, the world's largest media group, and Mr Black, who has made it clear he wants to increase his interests in television, will make The Entertainment Channel a very serious bidder.

Applicants must pass a quality threshold and in most circumstances the licence will then go to the highest bidder. The channel will be run as a publisher broadcaster – most programmes will be commissioned rather than made in-house. Most estimates suggest at least £200m ($354m) is needed to successfully launch Channel 5 against competition from commercial and satellite television.

Wagons-Lits trebles net profits

By Alice Rawsthorn in Paris

WAGONS-LITS, the Franco-Belgian travel group which last year became the butt of a controversial bid by Accor of France, trebled its net profits to BFr1.83bn in 1991 from BFr526m ($15.3m) in 1990.

Mr Jean-Marc Simon, chairman, said that the increase in profits was due to a rise in extraordinary earnings. The group, which had an exceptional debit of BFr493m in 1990, made an exceptional credit of BFr1.49bn last year mainly from its French property interests.

Wagons-Lits was affected by the disruption caused by the Gulf war last year. The economic slowdown in Europe and the impact of the US recession on tourism also affected the result.

However, the group's operating profits rose by 23 per cent during the year, according to Mr Simon, on turnover which increased by 8.8 per cent to BFr91.03bn from BFr83.67bn. He said that the performance of the restaurant and travel agency divisions had improved and the losses from Europcar had been reduced.

Mr Simon forecast that Europcar would return to profit during the course of 1992. This forms part of Wagons-Lits' plan to double its profitability over the next three years and to produce annual profits of BFr3bn.

French chemicals group wins Czech deal

By William Dawkins in Paris

RHONE-POULENC, the French chemicals producer, yesterday beat its US and European competitors to win majority control of Chemlon, the Czechoslovakian state-owned group which is central Europe's largest maker of artificial fibres.

Mr Jean-Marc Bruel, Rhône-Poulenc's director general, signed a letter of intent with Chemlon and Mr Jan Holcik, the Slovak industry minister, to form a joint venture. It will be 52 per cent controlled by the French state-owned company, rising rapidly to 63 per cent.

The deal followed a year's negotiations against many other leading western producers, Rhône-Poulenc said.

No price has been given, but Rhône-Poulenc plans to invest FFr500m ($89.76m) over several years to improve the competitiveness of its FFr750m turnover partner. Rhône-Poulenc's fibres and polymers division made sales of FFr13.5bn last year.

This is Rhône-Poulenc's largest investment in central Europe and the largest French investment in Czechoslovakia since BSN, the food and drinks group, teamed up 12 months ago with Nestlé, the Swiss multinational, to take control of Cokoladovny, Czechoslovakia's largest food company.

The joint venture will own Chemlon's plant in Humenné, Slovakia, which makes 61,000 tonnes per year of polyamid yarn, used for textiles, carpets and industrial fibres.

The deal will reinforce Rhône-Poulenc's position in polyamid yarns and give it an industrial base to develop its business across central Europe, said the group.

Its other investments in the region include a fibre transformation plant in eastern Germany, two plants in Hungary and two in Poland, making animal feeds, health products and agrochemicals.

The final accord for Chemlon should be signed in the next few weeks, said Rhône-Poulenc.

Schneider falls sharply to FFr275m

By William Dawkins

SCHNEIDER, the French electrical power and engineering group, yesterday reported a collapse in annual profits and announced it would buy out the minority shareholders in its Merlin Gerin subsidiary.

Net attributable profits plunged to FFr275m ($49.37m) last year, from FFr923.9 in 1990, weighed down by losses at Spie Batignolles, its construction subsidiary. A profits fall had been expected since Spie Batignolles warned in February that 1991 losses may reach FFr950m. Following that, Mr Georges de Buffévent, chairman, resigned.

However, Schneider's profits decline was slightly more than analysts had forecast.

They include the first year's contribution from Square D, the US electrical equipment group which Schneider bought in a rare hostile takeover last year.

Schneider, which owns 61.3 per cent of Merlin Gerin, a producer of electrical distribution equipment, is offering its shareholders four Schneider own shares for five Merlin Gerin shares.

The acquisition had long been expected and makes Schneider the latest of several leading French companies to buy out minority stakes in subsidiaries, to simplify their structures and fortify their capital bases.

Recent examples include Havas, the media, marketing and travel combine, which early this month bought out the remaining shares in Comareg, a publisher of free newspapers.

Italgas moves ahead to L91bn

By Haig Simonian in Milan

ITALGAS, the fast-growing Italian gas and water distribution company, raised net group profits by 16.7 per cent to L91bn ($73.6m) last year thanks partly to a 25 per cent increase in sales to L3,353bn.

The improvement has prompted the group, which is controlled by the state-owned ENI energy and chemicals concern, to raise the dividend by L10 a share to L100.

Italgas attributed the rise in turnover to an increase in its number of customers, higher average gas usage and the effect of a cold winter which raised consumption after two relatively mild years.

Net group interest charges fell by 24 per cent to L51bn from L67bn in 1990 thanks to improved liquidity management and lower-cost sources of finance.

Investment, largely financed by low-cost loans from the European Investment Bank, rose by 8.2 per cent to L683bn.

Italgas affirmed its commitment to continuing growth, notably outside Italy.

● Nordica Sportsystem, the acquisitive sports equipment group controlled by the Benetton family, raised consolidated sales by 67 per cent to L465bn last year.

GrandMet sells Irish dairy arm

By Guy de Jonquières in London and Tim Coone in Dublin

GRAND Metropolitan, the UK food and drinks group, yesterday took a further step in the disposal of its Express dairy and foods business with an agreement to sell Express Foods' Irish dairy interests in a series of deals worth I£99m ($159m).

The Express operations in the Republic of Ireland and Northern Ireland, except for an 80 per cent interest in Carbery Milk Products, are to be sold to Waterford Foods for I£63m.

In addition, GrandMet will retain ownership of Express Foods Group (Ireland).

The assets of Express Foods Group (Ireland) will consist of I£15m in cash and receivables after the deal is completed.

The Express stake in Carbery Milk Products, a Cork-based cheesemaker, is to be sold for I£21m to Carbery Creameries, a co-operative of dairy farmers which supplies the business with liquid milk.

The businesses being acquired from GrandMet by Waterford are Virginia Milk Products, Express Northern Foods and WED, an Express Dairies joint venture with Waterford Co-op.

The deal will make Waterford the leading dairy group in Ireland, with projected annual sales of I£700m and control over about a fifth of Ireland's liquid milk output. At present, it has 29 per cent of the liquid milk market nationally and 72 per cent in Dublin.

Waterford has spent I£215m on acquisitions in the UK, the US and Ireland since it was floated on the stock market in 1988.

It has 25 per cent of the liquid milk market in the north-west of Britain, 15 per cent of the UK fruit juice market, and 45 per cent of the US condensed milk market.

Eridania improves earnings 28.4%

By Haig Simonian

ERIDANIA, the agro-industrial subsidiary of Italy's Ferruzzi group, raised net group profits by 28.4 per cent to L172bn ($137.8m) last year, while sales increased by 10.2 per cent to L10,096bn.

The improved earnings have spurred a L10 increase in the dividend to L250 a share for ordinary shares and L280 for savings stock.

The company said its planned merger with Béghin-Say, the French sugar and foods group that it controls, was advancing steadily. Approval is expected at Béghin-Say's annual meeting on May 27 and the merger should go ahead at the beginning of next year.

Eridania forecast that sales and earnings looked set to improve further this year, partly on account of the planned merger and also due to recent acquisitions. Moreover, the group's debt-equity ratio was set to fall, in spite of the acquisitions.

Further talks over future of Colonia

By Alice Rawsthorn

UNION des Assurances de Paris (UAP), the leading player in the French insurance industry, may be approaching the end of its protracted negotiations over the future of Colonia, the German insurer controlled by Victoire.

Mr Gérard Worms, president of Suez, the French financial and industrial group which has a majority stake in Victoire, said yesterday that his group was orchestrating discussions between UAP, Victoire and Colonia to "find a solution to this delicate problem".

He suggested the likeliest outcome would be for Victoire, which owns 78 per cent of Colonia, to cede half its shares in the German company to UAP so that they both held 50 per cent of the business.

However, Mr Worms said that Colonia, one of the larger players in German insurance, would continue to be run as an independent entity.

UAP, which is eager to expand into the vast German insurance market, would probably offer a large part of its 34 per cent minority stake in Victoire as payment for its stake in Colonia. It bought the stake from Suez for FFr14bn ($2.51bn) in 1989.

The negotiations over the share exchange have been going on for months. The deal has been billed by the French press as a test for Mr Jean Peyrelevade, chairman of UAP and one of Mr Worms' predecessors as chairman of Suez.

Hoechst

Payment of Dividend

NOTICE IS GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 28th April, 1992 a dividend for the year ended 31st December, 1991 of DM 12 per share of DM 50 par value will be paid as from 29th April, 1992 against delivery of Coupon No. 55 from shares of DM 50 or Coupon No. 6 from London Deposit Certificates of DM 5.

Dividend of 24% will be subject to German Capital Yield Tax of 25% and 7.5% solidarity payment charged on the capital yield tax.

Coupons may be presented as from 29th April, 1992 to

S. G. Warburg & Co. Ltd.
Paying Agency
2 Finsbury Avenue
London EC2M 2PA

from whom appropriate claim forms can be obtained.

The dividend will be paid at the rate of exchange ruling on the day of payment.

Payments in respect of London Deposit Certificates will be made at the rate of exchange ruling on the day of receipt of dividend on the underlying shares deposited in Germany.

United Kingdom Income Tax will be deducted at the rate of 10% unless claims are accompanied by an affidavit.

German Capital Yield Tax deducted in excess of 15% is recoverable by United Kingdom residents, and the Company's United Kingdom Paying Agent will, upon request, provide holders with the appropriate forms for such recovery.

Hoechst Aktiengesellschaft
Frankfurt am Main, April 1992

KNP is one of the leading paper and packaging companies in Europe. It consists of three divisions and a number of important partly-owned companies and joint ventures with a combined turnover of approximately NLG 5 billion.

Payment of dividend

The Board of Management announces that at the Annual General Meeting of Shareholders held on 28 April 1992 has been decided to pay out a dividend of NLG 2,50 per share of NLG 2,60 par value.

As a result the following will be payable as from Monday 11 May 1992:

Dividend coupon number 42 of NLG 2,50 per share in cash subject to deduction of 25% dividend tax, at the following payment offices:

In the Netherlands:
ABN-AMRO Bank N.V.
Pierson, Heldring & Pierson N.V.

In Belgium:
Bank Brussel Lambert N.V.
Generale Bank N.V.
Kredietbank N.V.

In Switzerland:
Swiss Bank Corporation

In Germany:
Deutsche Bank AG

In Austria:
Creditanstalt-Bankverein

The dividend will be paid to holders of CF certificates through the intermediary of the institutions holding their dividend sheets in custody as of close of business on 28 April 1992.

Hilversum, the Netherlands, 29 April 1992

KNP KONINKLIJKE NEDERLANDSE PAPIERFABRIEKEN N.V.

Wells Fargo & Company

£60,000,000
Floating rate subordinated notes due January 1994

In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 27 April 1992 to 27 July 1992 the notes will carry an Interest Rate of 10 11/16% per annum. Interest payable on the relevant interest payment date 27 July 1992 will amount to £132.86 per £5,000 note

Agent: Morgan Guaranty Trust Company

JPMorgan

SKOPBANK (CAYMAN) LIMITED
US$50,000,000
Currency Bonds due 1994

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from the 24th April 1991 until 24th April 1992 the Bonds will bear a rate of interest of 6.73451333% on nominal 30 million.

The amount payable per 1,000,000 Bonds will be US$40,407.08 for interest and US$223,629.86 for redemption proceeds calculated with reference to the original issue amount US$50,000,000.

DKB International plc
London
Agent Bank

COMPANY NOTICES

BRADFORD & BINGLEY
BUILDING SOCIETY

£100,000,000
Floating Rate Notes
Due January 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 28th April, 1992 to 28th July, 1992 has been fixed at 10.78125% per annum. The interest payable on 28th July, 1992 against Coupon 2 will be £268.06 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

INTERNATIONAL COMPANIES AND FINANCE

Toyo Shinkin Bank to be split up

By Steven Butler in Tokyo

THE Toyo Shinkin Bank, the Osaka credit co-operative at the centre of a multi-billion dollar loan fraud scheme last summer, is to be split up among the Sanwa Bank and some 22 other credit co-operatives in the Osaka area.

Agreement to split the ailing bank came after the Sanwa Bank, which has close links with Toyo, resisted government pressure to take over the entire operation, which included some Y130bn ($976m) in losses stemming from fraud.

The deal, arranged after mediation by the Bank of Japan and the Ministry of Finance, will come as a relief to the Sanwa Bank, since the financial burden arising from the scandal will be spread over a wide range of financial institutions.

The loan fraud scandal, the biggest in Japanese banking history, arose when Ms Nui Onoue, an Osaka restaurant owner, allegedly borrowed Y250bn from a range of financial institutions using forged deposit certificates from the Toyo Shinkin.

The Industrial Bank of Japan, one of Japan's most prestigious banks, was also severely embarrassed by the affair, as its own loans to Ms Onoue had helped increase her credibility in the eyes of the financial community. She was also at one point the largest individual shareholder in the IBJ.

The borrowed money is believed to have been used to cover losses in the stock market.

Under the scheme, details of which were still emerging last night, 25 of Toyo Shinkin's 30 branches are to be sold to credit co-operatives in the area, with the balance of the business to be taken over by the Sanwa Bank.

Both the IBJ and the Fuji Bank will write off 70 per cent of the billions of yen of loans issued to the Toyo Shinkin, and the IBJ has agreed to extend credit to the remainder of the business to help it get back on its feet again.

Money from Japan's deposit insurance scheme is also being used to support the deal.

A total of Y130bn in loans owed by the Toyo Shinkin are to be written off, including money owed to non-bank institutions that accepted fraudulent Toyo Shinkin paper.

The papers were allegedly signed by an officer of the bank without authorisation, and the Toyo Shinkin has been held responsible for them.

Randcoal rises on higher sales of coal and weaker rand

By Philip Gawith in Johannesburg

HIGHER local and export coal sales and a weaker rand boosted profits at Randcoal, the coal arm of the Rand Mines group, in the six months to end-March.

The higher volumes and weaker rand caused turnover to rise by 35 per cent to R766.1m ($266.9m) while operating profit was 55 per cent higher at R164.8m.

Net income more than doubled to R97.1m from R42.2m, but the increased number of shares in issue limited earnings per share growth to 44 per cent, up to 95 cents from 66 cents a share.

Mr Allen Cook, chief executive of Randcoal – formerly Witbank Collieries – said 6 cents per share of earnings was due to the first contributions to Randcoal's earnings from Corgroup Investments and Manhattan Syndicate which were acquired last year.

Export sales rose 21 per cent to 5.04m tonnes, inland sales were 20 per cent up at 1.63m tonnes and sales to Escom 23 per cent higher at 7.4m tonnes.

The overall sales increase of 21.6 per cent mainly reflects the first-time contributions of Corgroup and higher volumes from Douglas Colliery and Welgedacht Exploration.

Mr Cook said that the inland market continued to weaken and that sales would have fallen had the company not sold coal to a partner for export.

He added that there had been a substantial weakening in the spot price of export steam coal since the beginning of the year.

The company's exposure to this was, however, limited as much of its long-term business had already been concluded.

Earnings for the second half of the year are expected to be in line with those for the first six months.

CRA beats forecast in first term

By Kevin Brown in Sydney

CRA, the Australian resources group, said yesterday that better than expected metal prices and favourable foreign exchange rates lifted net profit above company forecasts to just under A$100m (US$76.9m) in the first quarter to the end of March.

Mr John Uhrig, chairman, told the annual meeting CRA was forecasting full-year profits at about the same level as last year, when the group made a net profit of A$350m, down 26 per cent on the previous year.

Mr Uhrig said the outlook for the year was uncertain. "Nobody knows how long increased metal supplies from Russia will continue to depress metal prices," he said.

He said it was also unclear what the implications of a forecast contraction in Japanese economic growth would be for CRA's iron ore, coal and aluminium businesses.

However, Mr John Ralph, chief executive, said profits were above forecasts for the first four months and that the board might have have been "a bit conservative" in forecasting prices.

Mr Ralph said CRA had predicted an average Australian dollar value of 77 US cents, compared with the current level of about 75.5 cents. He said the lower rate would translate into an extra A$25m in net profits if it were maintained over the rest of the year.

● Poseidon Gold (PosGold), part of Mr Robert Champion de Crespigny's Normandy Poseidon group, reported a 13 per cent improvement in net profits to A$21.7m for the nine months to the end of March.

The improvement was achieved in spite of lower gold prices and a first-time tax charge of $30m following the introduction of corporate taxation on gold mining.

PosGold said the result did not include ACM Gold, which was acquired following a joint takeover with Western Mining Corporation of Australian Consolidated Minerals.

Whirlpool earnings rise to $35m

By Nikki Tait in New York

WHIRLPOOL, the world's biggest maker of large domestic appliances and now the full owner of the former Philips' businesses in Europe, saw earnings increase to $35m in the first quarter of 1992, compared with $24m in the same period a year earlier.

Sales rose by about 6.5 per cent, to $1.72bn, but the shares greeted the news with a $2¼ fall to close at $42½ in in New York.

Mr David Whitwam, chairman, said the Whirlpool, Kenmore and KitchenAid appliance groups in the US had shown "notable" revenue gains, with shipment increases in the quarter topping the industry's average of 2 per cent. The result, he said, was a "dramatic" improvement in operating results.

He predicted that, for 1992 overall, shipments in the North American industry could rise by about 6 per cent as the economy recovered.

In Europe, by contrast, industry shipments for the quarter were down slightly, although Whirlpool International managed an increase.

There was a 5 per cent revenue gain in European currencies, said Mr Whitwam, but currency translation, marketing costs and increased goodwill amortisation, offset the operating gain.

For the year overall, the company is predicting a 1 per cent increase in home appliance shipments for the European industry generally.

Meanwhile, the company's share of losses from its Brazilian affiliates was $10m, compared with $17m a year earlier.

AIB moves to reassure depositors

By Tony Walker in Cairo

THE Cairo-based Arab International Bank, part-owned by Libya, has moved to reassure clients their deposits are secure after $60m was withdrawn since mid-April in a mini-run on the bank.

Dr Mustapha Khalil, chairman of AIB and a former prime minister of Egypt, said yesterday a press campaign quoting assurances from the US government that the bank was not on the list of banned Libyan institutions was one of several steps taken to calm depositors' fears.

The assurance, issued by the US Cairo embassy, stated that AIB, whose deposits amount to $2.5bn, was not "considered to be a government of Libya-controlled entity" and "US persons are under no restrictions from engaging in transactions with this bank".

Dr Khalil described the withdrawal of deposits as "not very acute," but was anxious to reassure the bank's clients their funds were "in no danger whatsoever. We are very liquid. We do not deposit money in Libya," he declared. Withdrawals accelerated after the UN imposed sanctions against Libya on April 15, following Tripoli's refusal to yield nationals accused of the 1988 and 1989 bombings of US and French aircraft.

Libya and Egypt each hold a 28.76 per cent share of the bank which was established under a special law in 1974 as a banking "shop window" after late President Anwar Sadat instituted his new "open door" policy to business with the west.

Bankers say Egyptians have been made extremely nervous by the collapse in recent years of Islamic investments houses which mushroomed in the 1980s.

Taiwan may invest in McDonnell Douglas

TAIWAN'S government is inclined to support a proposed deal for a Taiwanese company to buy a stake in the commercial aircraft business of McDonnell Douglas, according to a report by Economics Minister Mr Vincent Siew, Reuter reports.

The government would be willing to consider providing low-interest loans and tax breaks to the $2bn project if Taiwan Aerospace decides to go ahead with the investment, the report says.

It stops short of explicitly recommending the company proceed with the deal with the US group, but says the project provides great opportunities for Taiwan.

"It is a high-risk venture but it will help upgrade our industrial level . . . We need the full support of parliament, the government and the private sector."

The report is due to be delivered to parliament on Wednesday, but was leaked to the local press.

Taiwan Aerospace, set up last year and 29 per cent owned by the government, signed a memorandum of understanding with McDonnell Douglas last November to buy up to 40 per cent of the US company's commercial aircraft operations for $2bn.

Taiwan Aerospace has since indicated that the stake acquired could be as low as 25 per cent.

McDonnell Douglas will retain a 51 per cent stake, but the US company is already discussing, with other investors from south-east Asia or South Korea, making up any shortfall in Taiwan's investment.

The deal, which needs approval by both governments, would boost Taiwan's fledgling aerospace industry and give McDonnell Douglas the funds to develop its next-generation MD-12 jetliner.

But the deal has run into opposition from some legislators in Taiwan, who have criticised it as a bad investment and threatened to try to prevent the government from using state funds to support the project.

Mr Siew's report to parliament says, Taiwan's government and private companies holding stakes in Taiwan Aerospace should reopen negotiations with McDonnell Douglas to reach agreement on details and conditions of the proposed investment.

The report, which quotes a three-month feasibility study into the project completed recently by state-run China Steel Corp, says producing fuselages, wings and other components for the MD-12 in Taiwan would create 90,000 jobs.

ENSO GUTZEIT OY

Group Financial Results (Audited IAS)

	Year ended 31 December 1991 FIM million	1990 FIM million
Net sales	9446	10 287
Cost of sales	(9062)	(9 401)
Operating profit	384	886
Share of results of associated companies	(39)	8
Net interest and other financial expenses	(1 367)	(526)
Profit on ordinary activities before taxation	(1 022)	368
Taxation	(16)	(241)
Minority interest	(14)	(20)
Profit after taxation	(1 052)	107
Extraordinary items	492	340
Profit for the year	(560)	447
Earnings per share (FIM)	(7.35)	0.75
Dividend per share (FIM)	0.40	0.80

Copies of the full text of the Annual Report are available in the UK on request from:
Enso Marketing Co. Ltd., Enso House,
New Mill Road, Orpington, Kent BR5 3QA

The ordinary meeting of shareholders will be held in Helsinki, Finland, on 7 May 1992 at 3 pm at Karjalatalo, Käpylänkuja 1.

ENSO-GUTZEIT OY
Kanavaranta 1, 00160 Helsinki, Finland.
tel. +358 0 162 91, telex 124438 enso sf. fax +358 0 162 9471

BANQUE NATIONALE DE PARIS

USD 250,000,000 floating rate due 1997 Applicable interest rate for the interest period from 24.04.92 up to 24.07.92 as determined by the reference agent is 4,4375 per cent per annum namely USD 1121,70 per bond of USD 100,000

ECU 300,000,000
Kingdom of Belgium
Floating Rate Notes due 2000

For the period from April 29, 1992 to July 29, 1992 the Notes will carry an interest rate of 10⅛% per annum with an interest amount of ECU 2,567.27 per ECU 100,000 Note.

The relevant interest payment date will be July 29, 1992.

Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

CAL
MEMBER SFA

DEALERS IN ALLOCATED SWISS
GOLD
COMPETITIVE RATES

CAL Futures Ltd
162 Queen Victoria Street
London EC4V 4BS
Tel: 071-329 3030
Fax: 071-329 3918

Annual General Meeting of Securitas AB in Sweden

Shareholders in Securitas AB are hereby invited to attend the Annual General Meeting to be held at 4pm on Wednesday, May 20, 1992, at the Stockholm Palladium, Kungsgatan 65, Stockholm, Sweden.

Notifications, etc.

Shareholders wishing to participate in the Annual General Meeting must be registered in the share register maintained by Värdepapperscentralen VPC AB ("VPC", the Swedish Securities Register Centre) not later than Friday, May 8, 1992 and must notify their intention to attend the Meeting not later than 4pm on May 15, 1992 to the following address: Securitas AB, Box 12307, S-102 28 Stockholm, Sweden or by telephone to: Int +46 8-657 70 00.

To be entitled to participate in the Annual General Meeting, shareholders whose shares are registered in the name of a trustee, through a bank, or other institution serving as trustee, should request that the shares are temporarily re-registered in their own name in the share register. Shareholders must inform the trustee of such intentions in good time before Friday, May 8, 1992.

Business

Business that, pursuant to the Articles of Association, must be addressed at the Annual General Meeting, including the presentation of the Annual Report and the Auditors' Report as well as the Consolidated Accounts and the Auditors' Report for the Group, resolutions concerning the adoption of the Balance Sheets and Income Statement and the Consolidated Income Statement and Consolidated Balance Sheets, the appropriation to be made of the Company's profits or losses as shown in the Balance Sheets adopted by the Meeting, the discharge of the Board of Directors and of the President from liability for the fiscal year, the establishment of the fees to be paid to the Board of Directors and auditors and the election of the members of the Board of Directors, auditors and deputy auditors.

Dividend

The Board of Directors has decided to propose that the Annual General Meeting approve Wednesday, May 27, 1992 as the record date for payment of dividends. If the Annual General Meeting approves this proposal, it is expected that dividends will be distributed via VPC on Thursday June 4, 1992 to those shareholders registered in the share register maintained by VPC or in the related specification of pledgeholders etc. - on the record date.

Stockholm, April 1992

The Board of Securitas AB

Bethlehem Steel losses mount as demand flags

By Martin Dickson in New York

BETHLEHEM STEEL, the second largest steel manufacturer in the US, yesterday reported increased first-quarter losses. It warned it still expected to be in the red in the second quarter, due to weak demand for the metal.

Bethlehem reported a net loss of $45m, or 66 cents a share, up from $39m, or 60 cents, in the same period last year. Sales totalled $995.4m, down from $1.05bn.

The figures exclude the company's bar, rod and wire division and trackwork fabrication operations. It announced plans in January to get out of these businesses.

Bethlehem said while its steel shipments were significantly higher in the first quarter, realised prices were lower, offsetting the benefits of volume. The results were also affected by higher labour and interest costs.

Its basic steel operations lost $22m, an improvement on the $26m reported a year ago. Average realised prices remained at the extremely low levels of 1991's fourth quarter, although shipments increased following completion of a blast furnace reline at its large Burns Harbor plant.

Bethlehem said it planned to generate $200m from asset sales during the year, mainly from the previously heralded sale of its coal operations. It was too early to judge the potential proceeds from bar and rod.

While there were encouraging signs of recovery in the US economy, it expected to report a second-quarter net loss and anticipated only moderate improvement in steel demand for the rest of the year.

● Nucor, the largest of the US mini-mills, yesterday reported first-quarter net income of $16.2m, up from $13.99m last year, on sales up from $351m to $388m. Mini-mills have been taking market share from integrated manufacturers such as Bethlehem.

Walt Disney surges on animated film earnings

By Alan Friedman in New York

SHARPLY higher film and consumer products earnings helped boost second-quarter net profits by 29 per cent to $164m at Walt Disney, the movie and theme parks group.

The company's revenues in the fiscal quarter to end-March were 15 per cent higher at $1.66bn, while earnings per share stood at 31 cents, against 24 cents a year before.

Mr Michael Eisner, chairman, said earnings were helped by the strength of animated film and television products and related character merchandise. The record US box office proceeds of Beauty and the Beast, the animated feature, were especially helpful in the three-month period.

Operating income for the film division jumped by 85 per cent to $85.4m in the quarter, on revenues up by 5 per cent to $641m. The consumer products division achieved a 33 per cent rise in operating income, to $73.1m. Revenues were 55 per cent higher at $240m.

The theme parks and resorts division improved from its depressed level of a year ago, at the height of the Gulf war. Operating profits were $139.1m, up by 6 per cent. Revenues increased by 15 per cent to $774.1m.

O&Y special meeting raises concern

By Bernard Simon in Toronto

OLYMPIA & York has called a special meeting next month at which holders of bonds secured by a Manhattan office building expect they will be asked for concessions to help conserve the property developer's cash flow.

Such a request would be a departure from the debt-restructuring plan outlined by O&Y three weeks ago. The plan envisages segregating O&Y's relatively healthy North American property portfolio from the rest of its $12bn debt.

O&Y said yesterday the purpose of the meeting was solely to bring holders of $548m of bonds secured by the building at 55 Water Street up to date on recent developments.

However, bondholders are expecting that they will be asked to defer $35m in annual interest payments due on June 30. Although collateral on the 53-storey building appears sufficient to meet the June interest obligation, longer-term cash flows are threatened by the expiry of a sizeable portion of leases this year and in 1993.

Mr Michael Barr, an analyst at H Rivkin & Co, a New York bond trading house which represents some holders of Water Street paper, said any move by O&Y to defer interest was likely to be resisted by the bondholders.

The Water Street financing, arranged through a single-purpose company, was designed to protect investors from any financial problems of O&Y itself. Cash flow from the property must be used for running expenses and bond payments before it can be channelled to O&Y.

In another sign of the growing number of brushfires threatening O&Y, the trustee of an overdue Canadian commercial paper programme has called a meeting on May 20 which is likely to consider a resolution declaring the company in default.

The commercial paper is secured by the 36-storey Exchange Tower in Toronto, which O&Y has been trying to sell and lease back with the help of a government loan guarantee. But a tentative deal has come unstuck following the government's reluctance to be involved.

Under the Exchange Tower trust indenture, the trustee is obliged to put O&Y in default if 25 per cent of paper holders ask it to do so.

O&Y is expected to tell the meeting that the investors may have more to lose by putting the company into default than by waiting for a sale of the building or a wider debt-restructuring agreement.

The company has failed to make several debt payments since its liquidity crisis surfaced last month. But it did pay about $6m in monthly interest two weeks ago to holders of floating-rate notes secured by three New York buildings.

O&Y has not indicated whether it plans to pay C$25.4m (US$21.5m) in semi-annual interest due by May 14 on bonds secured by the 72-storey First Canadian Place in Toronto.

Charge pushes RJR back into red

By Nikki Tait in New York

RJR Nabisco, the US food and tobacco group which was subject to a $25bn buy-out in 1989, slipped back into the red during the first quarter of 1992, due to a $159m extraordinary charge related to the repurchase of debt securities.

The after-tax deficit amounted to $15m, compared with a small $5m profit in the first quarter of 1991. For 1991 overall, RJR made a net profit of $368m.

The company's operating income, struck after amortisation charges of $152m ($153m) but before interest costs, totalled $664m, against $647m a year earlier. Net sales overall were 5 per cent higher at $3.64bn.

Tobacco sales rose by 7 per cent to $2.1bn, driven by the international business. Excluding the effects of a significant Russian order in 1991, overseas sales would have been up by 10 per cent, with volumes increasing by 8 per cent – principally in the Middle East and Asia.

In the domestic market, there was "a slight volume increase". The results benefited from price increases but this was more than offset by higher marketing expenditures. The total "business unit contribution" – before amortisation – was $651m, against $648m.

Net sales of food products were just 2 per cent higher at $1.54bn, and the business unit contribution increased from $171m to $189m.

In contrast to the flat operating performance, RJR Nabisco's interest costs fell sharply because of relentless financial restructuring. Cash interest payments fell from $307m to $250m, while non-cash interest charges were $126m, compared with $294m.

Boeing records strong quarter

By Paul Betts in Seattle

BOEING has posted a 43 per cent increase in first-quarter net earnings to $441m from $309m in the same period last year.

Sales in the first quarter totalled $7.97bn, compared with $6.1bn in the first quarter of 1991. Earnings per share were $1.29, against 90 cents. Return on sales was 5.5 per cent, slightly higher than last year's 5.1 per cent.

The solid first-quarter performance reflected higher commercial aircraft deliveries and a profit from company's defence and space business, which lost money in the first quarter of last year.

Mr Frank Shrontz, chairman, said he expected sales and earnings in the second half to be lower than the first half because of fewer deliveries of 747 jumbo aircraft and reduced production of 737 narrow-body aircraft from 21 to 14 a month in the second half.

He told the company's annual shareholders meeting that group sales this year were expected to be slightly higher at $29.5bn compared with $29.3bn last year.

Although Boeing faces a difficult short-term industry environment as a result of the financial problems of many airlines, it continues to have a strong backlog of orders, totalling $95.8bn at the end of last month.

Orders in the first quarter totalled 124 aircraft compared with 91 last year. Demand for narrow-body aircraft with less than 150 seats was sluggish but demand for wide bodies remained buoyant.

The company expects to see a gradual recovey in civil aviation this year but no significant recovery in new orders until later next year. To adapt to the current weak market conditions, Boeing plans to reduce its 104,000-strong workforce in the Seattle area this year by about 8,000.

The company is also facing heavy research and development expenditure largely to finance the development of its new 777 wide-body aircraft and other commercial aircraft projects. Spending was expected to peak this year at about $1.8m and then continue in the $1.4bn to $1.6bn range for several more years.

The company is already studying the possible development of a very large aircraft seating 600 to 800 passengers. This could involve a stretched version of the 747 or a completely new aircraft.

McDonnell Douglas, Boeing's US competitor, is expected to unveil soon details of its plan to develop a 400 to 600-seat, four-engined jumbo aircraft to challenge Boeing's dominance in the very large airliner market.

The European Airbus consortium has similar plans.

FCC plans C$248m rights issue

By Bernard Simon

FLETCHER Challenge Canada, which is 72 per cent owned by New Zealand's biggest company, plans to strengthen its balance sheet with a C$248m (US$210.1m) rights issue.

The Vancouver-based forestry group said it would issue 16.8m common shares at C$14.75 each. Its shares were trading at C$15.75 before the announcement. FCC expects the issue to be completed by May 21.

The New Zealand parent will buy sufficient shares to maintain the current level of its shareholding in FCC, leaving 4.8m shares for the public.

FCC has a debt load of C$626m, equal to about 40 per cent of total capital. The company said it was keen to reduce its debt-equity ratio, but had no expansion plans.

Nobel and its banks reach accord

By Sara Webb in Stockholm

NOBEL Industries, the Swedish chemicals group, yesterday concluded financial settlements with its banks and its former finance company subsidiary after months of acrimonious wrangling.

Nobel said its shareholders' capital would be increased by SKr800m ($134.2m) after the agreement, the terms of which were welcomed by all of the parties concerned.

The settlement freed Nobel and Nordbanken, the main bank involved, to draw a clean slate and concentrate on their normal operations in future, participants said.

Under the terms of the agreement Nordbanken, the state-controlled bank which owns 70 per cent of the shares in Nobel, will pay SKr560m to the chemicals group so that Nobel in turn can settle its obligations towards Gamlestaden, the loss-laden finance company in which it had a 48 per cent stake.

Nobel has already paid SKr1.9bn to Gamlestaden and had received demands for a further SKr723m in payments to Gamlestaden. However, according to the agreement, Nobel only has to pay a further SKr520m. Furthermore, the deal ends Nobel's financial responsibility towards Gamlestaden.

When Gamlestaden collapsed last summer due to heavy losses in real estate, the financial troubles spread to Nobel, its main shareholder. Nobel had made a loan guarantee to secure bank lending to Gamlestaden, and was threatened with bankruptcy as Gamlestaden's credit losses mounted.

Gamlestaden has accumulated credit losses of SKr8bn and is now owned by a consortium of banks.

Nobel, which was controlled by Mr Erik Penser, the Swedish financier, had to be rescued last August by Nordbanken. The bank in turn took over Mr Penser's 70 per cent stake in Nobel, saying that he had failed to fulfil his loan agreements.

The banks' conduct in the Nobel affair was subsequently criticised by an independent report. Although the banks refused to admit that they had behaved incorrectly, legal advisers suggested the independent report had played a vital role in encouraging yesterday's financial settlement.

Nordbanken said that the banks had "decided it would take too much time, effort and money to carry on with this legal dispute."

Goldman Sachs gains equity

A $1.1bn HAWAIIAN educational trust, Kamehameha Schools/Bishop Estate, has invested $250m of long-term equity in Goldman Sachs, the US investment bank and broking house, writes Patrick Harverson.

PepsiCo gains on snack food performance

By Nikki Tait

A STRONG improvement in PepsiCo's snack food division in the first three months of 1992 offset weaker soft drinks earnings and allowed the company to report an 18 per cent increase in after-tax profits at $341.5m.

Sales increased by 11 per cent to $4.58bn, and earnings per share were up by 15 per cent to 30 cents.

PepsiCo saw a 10 per cent increase in soft drink sales, but operating profits in the division fell 3 per cent to $156.9m.

The company said there had been a sharp fall in international profits mainly because of a decline in bottling results.

In the US, profits grew by 1 per cent, with the weaker growth rate explained by increased operating expenses and a "difficult" comparison with 1991, when figures benefited from an instalment gain on a previous asset sale.

Operating profits in the snack foods were 17 per cent higher at $205.1m, on a 6 per cent sales increase to $1.3bn.

Mips Computer deal revalued

By Louise Kehoe in San Francisco

SILICON Graphics, the US computer workstation maker which last month agreed to acquire Mips Computer Systems, said yesterday the two companies had renegotiated the terms of the deal.

Originally, the deal was valued at about $400m, based on a stock-swap formula in which each share of Mips would be exchanged for 0.61 shares of Silicon Graphics.

Since then, Mips, a leading developer of Risc (reduced instruction set computing) microprocessors, has reported disappointing first-quarter earnings and its stock price has fallen sharply. Its first-quarter revenues were down 46 per cent at $23.7m, and it reported a net loss for the quarter of $12.7m.

Silicon Graphics' share price has also declined by almost 40 per cent since the announcement of the acquisition, amid Wall Street criticism that it was paying too much for Mips.

Macmillan in asset disposal

By Alan Friedman

MACMILLAN, a US subsidiary of Maxwell Communication Corporation (MCC), has agreed to sell the US assets of a construction industry publishing business to McGraw-Hill, the US media group.

Neither company disclosed the terms of the sale of the US assets of Maxwell Business Communications, an Indiana-based publisher serving the construction industry.

The business is believed to have less than $3m of annual revenues and 15 employees.

MCC filed last year for protection from creditors under US bankruptcy law. Macmillan, its New York subsidiary, continues to operate while co-ordinating key decisions with UK court-appointed administrators of the Maxwell empire.

The sale of the US arm of Maxwell Business Communications is part of Macmillan's continued string of disposals of non-strategic assets.

Offshore futures fund open to UK retail investors

By Tracy Corrigan

JOHNSON Fry, the UK financial services group, is marketing a guaranteed offshore futures fund, called the US Masters Guaranteed Futures Fund, to UK retail investors.

Most offshore futures funds sold in the UK are aimed at high net-worth individuals. The US Masters Fund, however, requires an unusually small minimum investment of £2,000. The initial investment is fully guaranteed by Barclays Bank.

The fund is structured as a closed-end investment company, incorporated in the Isle of Man, which runs for a set period of seven years.

Profits are rolled up and paid out only at the end of that period, so that capital gains tax, rather than income tax, is paid.

The US Masters Fund will use three US trading advisers, each of which has at least $50m of clients funds under management. They all have a track record of at least seven years, with an annual average rate return of at least 20 per cent.

The Securities and Futures Authority is examining an advertisement for the Johnson Fry fund, which appeared in this week's Economist magazine, to decide whether it follows SFA rules.

Under legislation passed last year, unit trusts using futures can now be sold to UK retail investors. The two structures permitted – futures and options funds and geared futures and options funds – are restricted in their use of futures and cannot be guaranteed.

So far, only two companies have launched unit trusts using futures and options. Legal and General, which targetted at retail investors, has so far raised £10m ($17m).

In the US, the managed futures business has expanded swiftly since the early 1980s. It currently has more than $20bn under management.

Typically, futures funds are externally managed on a discretionary basis by specialist trading advisers.

An offshore market for futures funds targetted at European and Japanese investors has also grown up in recent years. Most of the funds under management are run by US-based trading advisers.

Greek bank reports record Dr43bn profits

By Kerin Hope in Athens

NATIONAL Bank of Greece, the country's largest commercial bank, yesterday reported record profits of Dr43.13bn ($224.5m) in 1991, after a Dr12.37bn loss the previous year.

The state-owned bank's rapid improvement follows a gradual restructuring of its loan portfolio as well as efforts to cut costs.

During 1991, the bank set up a new subsidiary, National Capital, to which it is transferring non-performing loans, low-yielding shares and other non-core assets.

Underlying growth in operating income rose by 65 per cent last year, while costs grew by only 13.5 per cent, a gap which accounts for much of the strong profit showing.

The bank, which accounts for almost 50 per cent of lending activity in Greece, increased its provisions for doubtful debt last year to Dr45.92bn, against only Dr7.02bn in 1990.

Provisions are equal to 8 per cent of loans, against 4.7 per cent in 1990. The bank will transfer Dr17bn in profits to reserves. It will pay a Dr750 dividend per share, after passing for two successive years.

Hafnia wins support in Skandia bid battle

By Hilary Barnes and Xueling Lin in Copenhagen

DANISH institutional investors are confident of winning enough support to stop the takeover by Sweden's Skandia of Denmark's second-largest insurer, Hafnia.

Two institutions, the LD Fund and Kommunernes Pensionsforsikring, representing more than 10 per cent of Hafnia Holding's capital, have submitted a request for an extraordinary meeting of shareholders to the Hafnia board.

LD Fund says it has the support of 35 to 40 per cent of Hafnia's capital. It said between 10 and 20 new shareholders were calling daily to promise support.

However, a procedural battle, in which Hafnia's complex voting rules could still prove an obstacle to the rebel shareholders, is expected.

The institutions are calling for a DKr1.5bn ($232.5m) increase in Hafnia's capital through a rights issue. Promises to subscribe some DKr1bn have already been received from local and foreign investors.

The equity injection would be designed to give Hafnia time to dispose of its 33.5 per cent shareholding in Baltica, a rival Danish insurer, and 14.8 per cent of Skandia.

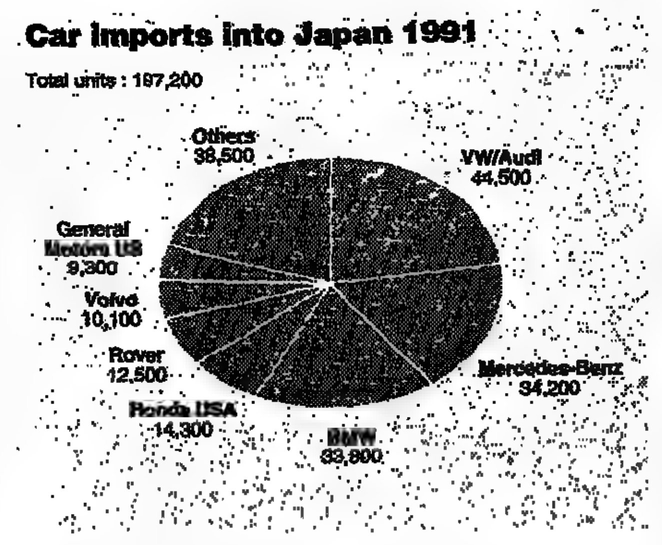
Among significant foreign shareholders to express dissatisfaction with Skandia's bid are the French bank, Paribas, and UAP, the French insurance group.

Mr Bjorn Wolrath, Skandia's chief executive, has condemned the move by Paribas. He said Paribas had acted as consultant to Hafnia during alliance negotiations between Skandia, Hafnia and the Norwegian insurer, Uni Storebrand, in the months before the Skandia bid.

The Danish institutions say Skandia's DKr2.7bn bid is much too low, valuing Hafnia's goodwill at about DKr600m. The bid is a swap of Hafnia shares for Skandia shares carrying no voting influence.

Yanase set to unveil Opel distribution deal

The Japanese importer's switch from VW has wider implications, writes Kevin Done



Yanase, the dominant foreign car importer and distributor in Japan, is expected to announce an agreement with Opel, the main European subsidiary of General Motors of the US, to become the exclusive importer and distributor of Opel products in Japan.

The deal follows Yanase's disclosure last week that it was abandoning its long-standing relationship with Volkswagen, the German carmaker, which it has built into the leading foreign car importer in Japan.

Yanase's change of allegiance to Opel heralds a significant shake-up in the hard-fought imported car market in Japan, which is dominated by the German makes of VW/Audi, Mercedes-Benz and BMW. It offers GM the chance to make an important breakthrough for its European-built cars.

Volkswagen, the leading western car exporter to Japan with its VW and Audi makes, expects a substantial setback to its Japanese sales in the short term, following Yanase's move to give up the VW/Audi franchise with effect from the end of 1992.

Yanase's switch to sell Opel through its extensive Japanese dealer network has been prompted by an increasingly bitter conflict with the VW group, which it has represented in Japan for 38 years.

It has been dismayed by VW's decision to replace it as the general importer/distributor, with the creation of its own wholly owned importer-distributor subsidiary, Volkswagen Audi Nippon (VAN).

It is also upset at VW's decision to develop an additional sales channel through a co-operation deal with Toyota, the leading Japanese carmaker.

In a attack on VW's sales and marketing plans, Yanase claimed the German carmaker had fixed a sales target of 100,000 cars a year in Japan "regardless of the actual size of the imported car market".

It said that by making investments based on a target of 100,000 units, and by appointing too many dealers, VW may "unnecessarily deprive dealers of both channels of their profitability due to disorderly marketing and excessive competition".

It claimed that under the VW strategy, the market would become "chaotic"; VW/Audi owners would be "inconvenienced"; and the operation of the Yanase network would become "unviable".

Yanase has agreed to provide after-sales service for existing VW/Audi customers during the two years – 1993 and 1994 – after it terminates its sales contract.

Volkswagen must now accelerate its plans to develop its two other sales channels. One, called Fahren, will be developed under the direction of Volkswagen Audi Nippon (VAN). The second Duo, is being developed by Toyota. VW will become much more dependent on it.

It will have to scale back the ambitious target announced last autumn by Mr Carl Hahn, VW management board chairman, to double its sales of VW and Audi cars in Japan to around 100,000 by 1995.

Mr Hahn said last year the group would have a network of nearly 300 sales outlets operating in Japan by 1992, with a 45-strong Volkswagen Audi Nippon network and 50 sales outlets to be set up by Toyota as well as around 180 Yanase dealers.

Under the co-operation deal with Toyota – the first time Toyota dealers will handle imported cars – the aim has been to sell 7,000 cars this year, with an increase to 30,000 a year through 100 sales outlets by 1996.

In the wake of Yanase's withdrawal, Volkswagen said in Tokyo it expected its sales in Japan to fall to around 32,000 in 1993 from a planned level of 48,000 in 1992. This year's figure still includes 39,000 cars to be sold through Yanase's 178-strong dealer network. This could prove over-optimistic, however, and VW's leading position in Japan will be under threat, at least in the short term.

VW said it planned to increase its Fahren sales channel from 25 dealers to 42 by end of the year, with a further 40 outlets being added in 1993. Its Toyota-controlled Duo sales channel will be increased from 5 outlets to 36 by the end of the year, with the addition of 15 more dealerships next year.

VW/Audi sales in Japan last year totalled 44,562, with around 95 per cent of the volume sold through the Yanase dealer network.

The VW/Audi makes accounted for 22.6 per cent of imported car sales in Japan, making it the leading foreign car group in Japan ahead of Mercedes-Benz, the automotive subsidiary of Daimler-Benz, with sales of 34,187 and an import share of 17.3 per cent, and BMW with sales of 33,798 and an import share of 17.1 per cent.

Total car imports to Japan declined by 11.1 per cent last year to 197,184 – compared with a fall in the overall market of 4.6 per cent to 4.87m – and accounted for only 4.1 per cent of the Japanese new car market. The decline was a significant setback to importers' long-term goal of gaining 10 per cent of Japanese new car sales during the 1990s.

The main beneficiary of the Yanase/Volkswagen conflict will be Opel, ironically the number two make in VW's domestic German market, where it is also challenging.

Opel cars have, in the past, been distributed in Japan by Isuzu, GM's Japanese affiliate, and the Toho Motors dealer group. Opel's performance has been disappointing, however, with sales of only 2,725 cars last year compared with a target of 10,000 a year set in the late 1980s.

Under the terms of the deal to be announced shortly, Yanase is expected to become Opel's sole importer and distributor in Japan, although there may still be a small residual role for some selected Isuzu dealers.

Although the immediate aim for Opel will be to reach the 10,000 cars a year target, its ambitions are higher, given the capacity of the Yanase network, which was capable of selling 63,461 VW/Audi cars in 1990.

USAir reduces losses to $63m for quarter

By Nikki Tait in New York

USAir Group, the parent company of America's sixth-largest carrier, remained firmly in the red during the first three months of 1992. Its losses, however, were significantly reduced from the same period a year ago.

The after-tax deficit amounted to $63m. This contrasted with the large $168.7m loss in the first three months of 1991, when the Gulf war sent traffic levels tumbling.

Among the other US carriers, American has made a small profit and Delta – still coping with the aftermath of the acquisition of former Pan Am assets – a significant loss.

USAir continues to suffer from a large interest burden; net interest charges totalled $59m, against $60.5m a year ago. At the operating level it continued to make losses, scoring a $24.8m deficit, down from $161.4m in the first quarter of 1991. Total operating revenues were $1.65bn, against $1.58bn. On the cost side, USAir was helped by a fall in fuel expenses, from $233.6m to $173.5m. Mr Seth Schofield, chief executive, said 1992 would probably be "another very difficult year for the airline industry".

He said the industry still had substantial overcapacity, and that "recent industry-wide fare reductions will have an adverse impact on revenue, the extent and duration of which are not known at this time".

USAir, which recently took over operating the Trump Shuttle service between Washington, New York and Boston, is seen as one of the most financially fragile US carriers.

It has made after-tax losses of $305.3m and $454.4m in 1990 and 1991 respectively. Yesterday, its shares rose $⅜ to $13⅝ at close of trade, but they have been as high as $19⅜ and as low as $7⅛ over the past year.

USBancorp up slightly to $1.7m

USBancorp said first-quarter net income rose to $1.7m, or 53 cents a share, from $1.6m, or 52 cents, in the year-ago quarter, Bloomberg reports. Net interest income rose to $8.7m from $8.2m.

Net loans as of March 31 rose to $677.5m from $439.8m. Deposits rose to $994.1m from $863.7m. Non-performing assets rose to $9m from $4.1m, and total assets rose to $1.1bn from $757.7m.

INTERNATIONAL CAPITAL MARKETS

Sterling demand fuels interest in EIB offering

By Tracy Corrigan

STRONG demand for sterling securities continued to feed through into the Eurosterling bond market, fuelling interest in the European Investment Bank's £200m 10-year offering, arranged by Salomon Brothers.

INTERNATIONAL BONDS

The 9 per cent bonds were considered aggressively priced to yield just 9 basis points above the 9¾ per cent gilt due 2002. With little 10-year paper for sovereign or supranational borrowers outstanding in the 10-year sector, the lead manager said the pricing was based on perceived demand rather than secondary market levels.

The deal sold out swiftly, boosted by strong interest from German investors, who are refocusing on the sterling market due to the uncertainty afflicting their domestic market. Some German mutual funds prefer Eurobonds to gilts for tax reasons. Italian investors, for whom the EIB is exempt from withholding tax, were also active buyers.

Some international bond fund managers, however, found the 9 basis point spread insufficient compensation for the loss of liquidity, compared with the gilts market. When Eurobond yields are so close to gilts, spread players are less likely to participate, since there is, at least in theory, less scope for spreads to tighten. However, the EIB deal had tightened to six basis points by yesterday's close, against a flat gilts market.

Also in the sterling market, the UK subsidiary of General Motors Acceptance Corporation launched a £75m issue due December 1995, via Baring Brothers.

Neither the GMAC nor the EIB deal (which used a deferred rate setting structure) were swapped. Tight swap spreads in the sterling sector continue to deter borrowers without a need for fixed-rate sterling.

"A lot of UK companies are looking at the market, but those who want floating-rate funds are not meeting their targets, and those who are keen to lock in fixed-rate funds are waiting for rates to fall further," said one banker.

However, there is also concern among some UK companies not to miss the wave of demand which offers a welcome opportunity to diversify from bank funding.

In the dollar sector, Hydro-Quebec launched a $500m 10-year deal, via Credit Suisse First Boston, priced to yield 85 basis points above the 10-year Treasury. Traders said the deal could have been brought at a tighter spread in the US.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hydo-Quebec(a)†	500	8.625	100.635	2002	2/1.80	CSFB
STERLING						
European Inv. Bk.(a)†	200	9.00	97.162	2002	-	Salomon Bros. Intl.
GMAC(b)†	75	10.625	100.995	1995	1.375/1.125	Baring Bros.
Whitbread(c)†	50	11.625	114.7593	2011	0.625	BZW
ECUS						
BCP Bk.& Tst.Co.(d)§	140	8.25-8.75	100	2002	2.5/1.5	UBS Phil.& Drew
CANADIAN DOLLARS						
Banque Nat.de Paris(a)†	125	8.75	100.875	1995	1.5/1.275	Scotiamcleod
YEN						
NKK Corp.(a)†	30	5.90	101.60	1997	1.875/1.7	Nomura Intl.
NKK Corp.(e)†	30	4.50	101.75	1997	1.875/1.875	Daiwa Europe
Nissan Cap. of America(f)‡†	15	(f)	100.25	1996	25bp/15bp	Daiwa Europe
Furukawa Co.(g)†	10	5	101.55	1998	1.625/1.475	Yamaichi Intl(Eur)
LIRE						
Cred.Suisse Fin.Gib.(a)†	200bn	11.625	101.70	1997	1.875/1.25	Credito Italiano
GUILDERS						
Fiat Fin.& Trade(a)†	250	8.875	100.90	1997	1/0.625	ABN Amro

**Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Full name of borrower: General Motors Acceptance Corp. Non-callable. c) Debenture stock fungible with existing £135m issue coupon payable semi-annually. d) Callable from 21/05/97 at par. Coupon payable semi-annually. e) Coupon pays 4.5 per cent for first three months then 8 per cent thereafter. f) Coupon pays 20bp over 3-month Libor Non-callable. g) Coupon pays 5 per cent for first 3 months then 6 per cent thereafter.

Gilts slip as investors take positions for auction

By Simon London in London and Patrick Harverson in New York

UK government bond prices moved slightly lower yesterday as investors took positions ahead of today's £2.5bn gilts auction, the first test of demand for government paper since the Conservative election victory.

GOVERNMENT BONDS

Yesterday, the 9 per cent gilt maturing 2011 closed at 99⅝, down ⅛ of a point on the day, for a yield of 9.02 per cent. The June gilt futures contract on Liffe closed at 98.22, from an opening level of 98.26 and 98.28 on Monday. Volume was 34,000 contracts.

Today's auction of 8¾ per cent bonds maturing 2017 is expected to attract demand primarily from UK institutional investors. However, the bonds are tax exempt for overseas residents, a feature designed to attract overseas investment institutions which normally shun long-dated issues.

Analysts said yesterday that total bids for stock would have to cover bonds available y at least twice for the auction to be judged a success.

■ GERMAN government bond prices were weaker yesterday following Monday's strong technical rally, with no new factors to push the market forward.

The benchmark 8 per cent Unity bond maturing 2002 closed at 100.08, little changed from 100.12 at the opening, for a yield of 7.98 per cent.

The June bund futures contract on Liffe, the London exchange, closed at 87.35 from an opening level of 87.39 and 87.44 on Monday. During the morning session, the contract hit a low of 87.16 before recovering ground through the afternoon.

With no new regional inflation data released yesterday, the market focused on the second day of industrial action.

■ US Treasury prices rose at the long end of the maturity range yesterday morning after traders and investors took heart from an unexpectedly sharp fall in March new home sales.

In late trading the benchmark 30-year government issue was up ⅜ at 99⅛, yielding 8.052 per cent. The two-year note was up ⅛ at 99⅞, yielding 5.375 per cent.

Prices fell in early trading, a knee-jerk reaction to news of a 2 per cent increase in first-quarter gross domestic product. The improvement in GDP was in line with market forecasts, and confirmed that the US economy had pulled out of recession. The GDP data also showed that personal consumption rose 5.3 per cent in the first three months of the year, a bigger-than-expected rise and the main reason for the early fall in Treasury prices.

The market recovered at the long end, however, when the Commerce Department reported that new home sales fell by 14.8 per cent in March, a fall that was much bigger than analysts had expected. The news buoyed investors, because it suggested that the recovery in the housing market may have stalled last month, and overshadowed the Conference Board's announcement of a rise in its consumer confidence index from 56.5 per cent last month to 64.8 per cent in April.

■ JAPANESE government bond prices slipped overnight in Tokyo in thin trading, ahead of a public holiday today.

The benchmark 10-year government bond issue No 129 closed the Tokyo day on a yield of 5.685 per cent, from 5.665 on Monday and 5.5.625 per cent on Friday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	101.7424	-0.395	9.73	9.82	9.91
BELGIUM		9.000	06/01	100.9000	-	8.84	8.80	8.92
CANADA *		8.500	04/02	97.8300	+0.450	8.84	8.70	8.73
DENMARK		9.000	11/00	101.0700	-0.030	8.80	8.80	8.86
FRANCE	BTAN	8.500	03/97	98.4845	+0.113	8.88	8.78	9.04
	OAT	8.500	11/02	98.4800	+0.090	8.71	8.64	8.72
GERMANY		8.000	01/02	100.0800	-0.110	7.98	7.93	8.04
ITALY		12.000	02/02	98.2700	+0.120	12.30†	12.27	12.41
JAPAN	No 119	4.800	06/99	93.9500	-0.041	6.01	5.96	5.66
	No 129	6.400	03/00	103.9246	-0.058	5.68	5.63	5.28
NETHERLANDS		8.250	02/02	99.4100	-0.140	8.33	8.28	8.41
SPAIN		11.300	01/02	102.1200	-0.130	10.91	10.79	10.96
UK GILTS		10.000	11/98	102-12	+1/32	9.34	9.36	10.13
		9.750	08/02	103-25	+0/32	9.17	9.18	9.91
		9.000	10/08	99-25	-3/32	9.03	9.07	9.87
US TREASURY *		7.500	11/01	99-21	+9/32	7.55	7.42	7.59
		8.000	11/21	99-10	+16/32	8.06	7.92	8.02

London closing, *New York closing. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Property bonds fail to share election euphoria

By Simon London

ONE sector of the sterling bond market has not shared the positive mood which has prevailed since the Conservative election victory: bonds issued by property companies have slumped.

The problems facing high-profile companies such as Olympia & York, Rosehaugh and Speyhawk have cast a pall over a sector already embattled by the worst property slump since the 1970s.

Even before the latest round of bad news, bonds issued by property companies were already trading at wide yield spreads over government paper. This has increased the cost of funds to property companies requiring funds.

For example, Land Securities paid a yield spread of 110 basis points over gilts in September last year, having borrowed at a spread of just 40 basis points in 1985.

The spate of bad news over the past two months has pushed yield spreads wider still in many cases – although Land Securities bonds are an exception to the rule.

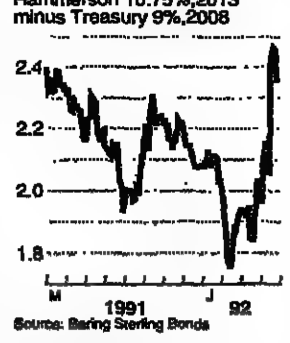
Analysts point to two areas which are causing concern:

● Bond market investors are concerned that property companies are being pressured to issue long-dated bonds to replace short-term borrowings. Yet it is not clear that institutional investors will be willing buyers of this new supply of paper.

A recent analysis of the sector from Baring Securities said: "All property-related stocks have under-performed as the clearing banks have stepped up pressure on these companies to replace their reliance on bank debt with fixed longer term funding."

Yield spread

Hammerson 10.75%,2013 minus Treasury 9%,2008



Source: Baring Sterling Bonds

Corporate financiers argue that the most likely issuers of sterling bonds this year are medium-sized property companies keen to extend the maturity of their debt, especially if gilt yields continue to fall. Many of the bigger groups – such as Land Securities and MEPC – made substantial bond issues in the second half of last year.

● Property companies also face pressure from shareholders to maintain high levels of dividend payouts, even where cash flow has been squeezed by the slump.

For example, Hammerson recently held its dividend at 20.5p, despite a 23 per cent fall in net asset values. Earlier this year, MEPC faced criticism for increasing its full-year dividend from 19p to 20p despite a similar 23 per cent fall in the value of its property portfolio.

Analysts are concerned that a decision to channel cash to equity holders may not always be in the interest of bond holders. Hammerson this week had its long-term credit rating cut from A2 to A3 by Moody's Investors Service, the US credit rating agency.

Explaining the downgrading, the rating agency said that Hammerson's "retained cash flow is severely curtailed due to a high dividend payout at a time when earnings are decreasing".

A number of other big property companies, such as British Land, Land Securities and Great Portland Estates, are due to report full-year results in May and June. It remains to be seen whether these companies will maintain or increase dividend payments.

However, the combination of negative factors means that property companies needing to borrow from the bond market will probably have to pay a premium to get new issues away.

For example, Hammerson recently doubled the size of its outstanding £100m bond issue maturing 2013. The new bonds were offered to investors at a 20 basis point premium to the outstanding debt, but still received a lukewarm reception. The bonds fell further yesterday following the announcement of the downgrading.

Yet even smaller property companies have been able to borrow, by pricing in line with market expectations and offering security. In the past month, Tops Estates and A&J Mucklow, both of which have a market capitalisation less than £100m, have raised long-dated secured funding. Some investors clearly believe that bonds issued by property companies represent good value at current yield spreads.

Swiss to make regular bond issues

THE Swiss finance ministry said it would issue bonds on a regular monthly basis, and publish a calendar, Reuter reports from Berne.

Mr Peter Thomann, Treasury chief, said the move was designed to ease the absorption of federal bonds on to the market and avoid surprises.

The Treasury had until now had a calendar of new issues, but had not made it public.

Mr Thomann said the Treasury planned to issue a further seven bonds this year, totalling around SFr3bn, bringing the total for the year to a record SFr5.6bn. Last year it issued SFr1.35bn, and the previous record was SFr4.5bn in 1976.

Earlier it expected to double its issue of money-market certificates to SFr4bn, but Mr Thomann said he was not sure this figure would be reached. The certificates are one of the Treasury's chief short-term funding tools.

In a sign of the increasing importance of the bond market in federal finances, the Treasury last year said it would issue fungible bonds to boost market liquidity.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94½	95½		9.70
COPENHAGEN TEL 8 5/8 96 LFr	500	98½	99½		9.14
WORLD BANK 8 96 LFr	1000	97	98		8.93
[illegible]					

DEUTSCHE MARK STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

CONVERTIBLE BONDS — [illegible]

YEN STRAIGHTS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	28	41
Other Fixed Interest	6	4	7
Commercial, Industrial	332	248	879
Financial & Property	145	117	530
Oil & Gas	21	8	59
Plantations	2	1	6
Mines	28	21	98
Others	34	47	63
Totals	577	474	1,683

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+ or -
[illegible]							
98	Nil	27/5	16pm	11½pm	JLI Group	16pm	+1
36	Nil	6/5	14pm	4pm	Kynoch (G & G)	7pm	
220	Nil	26/5	93pm	47pm	Laird Group	89pm	-3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings April 13
● Last Dealings May 1
● Last Declarations July 23
● For settlement August 3

3-month call rate indications are also shown on this page.

Calls in Airbreak Leisure, Airtours, Allied Leisure, ASDA, BHH, Burton, Cannon Street Invs., D.C. Gardner, Greycoat, Hardy Oil & Gas, Kells Minerals, Kunick, Midland Bank, Mining & Allied Supplies and Proteus Intl. Puts in Burton and Micro Focus. Puts and calls in Premier Cons. and Rosehaugh.

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*643)	600	54	70	80	12	18	23
	650	23	43	53	36	41	43
	700	9	24	33	72	75	77
[illegible]							

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAA (*605)	600	22	37	55	11	27	35
	650	4½	14	33	48	60	63
	700	-	6½	17	-	100	102
[illegible]							
Brit Aero (*349)	330	30	43	48	6	14	20
	360	10	23	32	19	27	36
	384	4	-	-	38	-	-
Unilever (*915)	900	51	78	95	20	29	34
	950	51	78	95	20	29	34
British Gas (*263)	260	13	21	24	6½	9½	15
	280	5	11	15½	20	19½	26
Dixons (*256)	240	25	29	38	6	12	14
	260	12	18	27	14	21	23

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Eurotunnel (*350)	330	35	70	80	12	22	25
	360	28	45	65	27	35	40
[illegible]							

FT-SE INDEX — [illegible]

April 28 Total Contracts 34,882
Calls 25,107 Puts 9,775
FT-SE Index Calls 9 254 Puts 4,936
Euro FT-SE Calls 255 Puts 646
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p	Charter Cons	37	Ladbroke	14	Sears	9	**OILS**	
Allied-Lyons	49	Comm Union	34	Legal & Gen	22	Smkl Bchm A	60	Aviva Pet	25
Amstrad	6½	Courtaulds	39	Lex Service	18	TI	48	BP	20
Astec (BSR)	3	Eurotunnel	29	Lloyds Bank	32	TSB	11½	Burmah Castrol	44
BAT Inds	10	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	7
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	32	Forte	21	Marks Spencer	27	T & N	11½	Premier Cons	2½
Barclays	26	GKN	30	Midland Bank	30	Unilever	70	Shell	33
Blue Circle	25	Gen Accident	38	NatWest Bank	26	Vickers	13	Tuskar Res	½
Boots	39	GEC	15	P & O Dfd	37	Wellcome	80	**MINES**	
Bowater	60	Glaxo	59	Racal Elect	5	**PROPERTY**		RTZ	47
Brit Aerospace	26	Grand Met	35	RHM	18	Brit Land	19		
British Steel	6½	GRE	12	Rank Org	55	Land Sec	34		
Brit Telecom	24	Hanson	18	Ratners	2½	MEPC	28		
Cadburys	33	ICI	85	Reed Intl	44	Mountleigh	1½		

Barclays chairman says internal successor vindicates his performance

Quinton denies boardroom coup

By Roland Rudd

SIR JOHN Quinton, chairman of Barclays, yesterday said the decision to appoint his successor from within the bank was evidence that his departure was not forced by anyone disappointed with the bank's performance.

However, his remarks were made as a senior non-executive director who said the chairman had been pushed to go "a bit earlier" than planned because there was a need to tackle Barclay's problems with a fresh team as soon as possible.

Mr Andrew Buxton, deputy chairman, is to replace Sir John as chief executive from the beginning of next month and as chairman from the end of the year.

Talk of a boardroom coup within the last few weeks was strongly denied by Sir John, who said that he had always planned to give up the chairmanship at the end of the year.

Asked whether he had hoped to hang on to his executive duties for a little longer he replied: "No, not really. There will not be a great deal of difference since I will still be working five days a week for Barclays."

However, a non-executive director said the board had felt that changes had to be put in place sooner than envisaged by Sir John in order to address the problems facing Barclays, including escalating costs. The non-executive added: "It is not as easy to look forward when you are approaching 63".

The bank's non-executive directors include Sir Martin Jacomb, the bank's deputy chairman and a Bank of England director, Sir Nigel Mobbs, chairman of the property company Slough Estates, Sir Denys Henderson, chairman of Imperial Chemical Industries, and Sir James Spooner, chairman of the Morgan Crucible conglomerate.

It also emerged yesterday that the non-executive directors had forced the pace of management change in Barclays in order to ensure Mr Buxton's succession.

Some non-executives felt that Mr Buxton may have left the group if his position had not been clarified this month.

Sir Peter Middleton, deputy chairman, said: "It was absolutely key that Andrew (Buxton) stayed on since we needed someone who understood the business. Although I never heard Andrew suggesting that he might go."

Mr Buxton said he was keen to develop Barclay's international role which he compared favourably with what he called Lloyds' "retrenchment in the UK". He added: "I want us to become a major European bank with interests across the world."

Sir John said he doubted whether Mr Buxton would change the bank's strategy. "I have been developing my strategy with my colleagues.

"It would be somewhat strange if we then set off on an immediate different strategy."

In order to rebuff criticism that one man should not be both chief executive and chairman Mr Buxton said that he planned to dilute the two senior jobs by sharing many of his duties with Sir Peter, who is to become responsible for the service business division as well as Barclays de Zoete Wedd.

Mr Alastair Robinson, who will continue to head the banking division, will also become a vice chairman of the group.

See Observer

Acquisition costs put Borland in loss

By Louise Kehoe in San Francisco

BORLAND International, the California-based personal computer software publisher, reported a loss for its fourth quarter following additional charges in connection with its acquisition of Ashton-Tate, a database management software company.

Revenues for the fourth quarter ending March 31 were 14 per cent down at \$117m (£66.1m) compared with \$136m. The pre-tax and net loss was \$26.9m against a pre-tax income of \$6.92m last time and after-tax income of \$2.77m. Losses per share were \$1.05 (11 cents earnings).

Included in the results was a \$30m charge to cover severance and facilities costs arising from the consolidation of international operations following the Ashton-Tate acquisition.

This latest restructuring charge brings the total of pre-tax transactions and restructuring costs related to the acquisition to \$146m. Borland acquired Ashton-Tate last year, in a deal valued at \$439m.

Borland's stock price closed down \$2 at \$46.75 in New York on Monday amid concerns that its results would be below expectations. The results were announced after the close.

Revenues for the year to March totalled \$483m, (\$457m). The pre-tax loss was \$125m (\$17.9m profit) and net losses for the year amounted to \$110m, or \$4.29 per share, compared with net income of \$4.8m, or 20 cents per share.

"Fiscal 1992 was a pivotal year in Borland's history," said Mr Philippe Kahn, chairman, president and chief executive. "In addition to launching significant new products, we laid the foundation for the future with the acquisition of Ashton-Tate. Fiscal 1993 should see us continue our momentum with the release of a new generation of graphical products for a variety of operating systems."

Borland's UK share price, currently languishing at £26.25, down 25p on the day, has been one of the wonders of London's unlisted securities market. It was the market's best performing stock in 1990, more than doubling over the year to touch £15.10. It continued its spectacular rise last year reaching a high of £45.75. For UK investors, however, the price is largely academic because over 90 per cent of Borland's shares are now traded on the over-the-counter market in the US.

Its London quote is an anomaly, the result of an early decision by Mr Kahn, the company's French-born founder, to go public in Europe where he had connections with investment bankers.

Borland was a pioneer of low-priced computer software sold by, at that time, unconventional methods such as mail order. But despite the often meteoric growth of the company's share price, it has an erratic business record and is moving into an area where it will face direct competition from Microsoft, a leading personal computer software company.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bibby (J) ....int	2.85†	July 2	2.85	-	9.75
Edinburgh Inv ....fin	5.2	July 2	4.95	8.05	7.7
Folkes ....fin	1.6	July 1	1.75	2.375	2.3
Govett Oriental ....fin	0.525	July 1	0.5*	0.9	0.875*
Govett Strategic ....int	2.65	June 19	2.65	-	5.75
K'wort High Inc ....int	1.875☆	July 3	-	-	-
Plastiseal § ....fin	nil	-	1.5	1.5	3
S&U Stores ....fin	6.8	-	6	9	8
Senmih Rubber ....fin	0.5	-	0.5	0.5	0.5
TSW ....fin	3	June 12	3.77	7‡	5
Waterford Fds A ....fin	1.525	June	1.45	2.625	2.5
Waterford Fds B ....fin	1.525	June	0.525	2.275	0.525
Yule Catto ....fin	3.1	July 6	2.7	5.4	4.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆Third interim. ‡For 17 months.

BOARD MEETINGS

TODAY

Interims- Drayton Asia Trust, Haemocell, Majedie, Rosehaugh, Scottish Cities.

Finals- Amer. Bank of Scotland, Brixton Estate, Brown (N), Brown & Jackson, Eadie, Hopkinsons, Ingham, Travis Perkins.

FUTURE DATES

Interim-

Westland .... June 1

Finals-

Scottish Power .... May 28

Whitbread .... May 12

Strathmore purchase ends search by Matthew Clark

By Philip Rawstorne

MATTHEW CLARK, maker of Stone's ginger wine and Old England British sherry, is to buy Strathmore, Scotland's leading bottled water brand, for £11m.

The consideration will be paid in cash but, subject to shareholders' consent, Joseph Dunn (Bottlers), Strathmore's parent company, will subscribe for £3m of Matthew Clark ordinary shares, giving it a 7.4 per cent stake.

The acquisition ends a two-year search by Matthew Clark for a bottled water or cider brand to strengthen its drinks portfolio.

The group has focused its strategy on developing as a producer and distributor of drinks in the UK market after a substantial restructuring.

Mr Peter Aikens, chief executive, said yesterday: "Strathmore fits well into our plans. It is a strong brand in a high growth sector; and its potential for rapid growth will complement our existing mature and cash generative brands."

The bottled water market in Britain has been one of the fastest growing drinks sectors. Between 1984 and 1990, sales volumes rose from 80m litres to 400m litres and the value of retail sales increased from £52m to £330m. Annual consumption per person in the UK is still far lower than in continental Europe: 8 litres a year compared with 70 litres in France, Germany and Italy.

Strathmore, based at Forfar, made pre-tax profits of £452,000 last year on turnover of £4.3m.

The water, extracted from a natural spring, is sold in sparkling, still, and citrus flavoured versions. It has gained a 25 per cent share of the bottled water market in the Scottish grocery sector during the past six years, but has only recently been listed by several multiple grocers south of the border.

Joseph Dunn, one of Scotland's leading beer and soft drinks wholesalers, will continue to distribute Strathmore in Scotland and has agreed reciprocal distribution deals on other drinks brands with Matthew Clark.

The acquisition is expected to lead to a small dilution in Matthew Clark's earnings per share this year, but to make a positive contribution in 1993-94.

S&U advances to £4.3m

S&U STORES, the Birmingham-based consumer credit house and hosiery manufacturer, lifted pre-tax profits by 25 per cent over the 12 months to January 31.

The increase – from £3.43m to £4.31m – was achieved on turnover ahead to £52.3m (£46.3m).

Earnings per share improved to 27.89p (21.53p) and a recommended final dividend of 6.8p lifts the total for the year to 9p (8p).

A 1-for-10 scrip issue is also proposed.

The group intends to change its name to S&U reflecting its move into the financial sector.

Govett Oriental net assets setback

Govett Oriental Investment Trust reported a net asset value of 189.9p at March 31, down from 206.2p a year earlier.

Attributable profits for the year amounted to £1.64m (£1.43m) equal to earnings of 0.91p (0.79p) per share. A proposed final dividend of 0.525p brings the total for the year to 0.9p (0.875p adjusted for last October's scrip issue).

Acquisitive Waterford Foods up 40% to I£15.9m

By Tim Coone in Dublin

WATERFORD FOODS, now Ireland's largest dairy group following the completion of its acquisition yesterday of three Grand Metropolitan subsidiaries in Ireland, reported a 40 per cent jump in pre-tax profits, from I£11.3m to I£15.86m (£14.4m), for the year to December 31.

Turnover was 3.5 per cent down, from I£439m to I£424m, but operating cash flow increased by I£4.2m to I£24.9m.

Mr Stephen O'Connor, managing director, said that all segments of the business had performed well during the year and there had been a significant reduction in interest costs by I£3.1m to I£6.8m, improving interest cover to 3.3 times.

He said that I£58m in goodwill relating to the acquisition in 1989 of Healds Dairies in northern England and Galloway West in the US has now been written off.

Analysts in Dublin were encouraged by the results and are anticipating strong earnings growth in the coming year, as Waterford's latest acquisitions are consolidated into the group.

These are United Co-operative Dairies (UCD) in northern England which was acquired in November last year, and which is being integrated into the Healds operations, and the three Grand Metropolitan subsidiaries in Ireland which have just been purchased for a consideration of I£63.2m.

Mr O'Connor also announced Waterford's intention to buy the remaining 50 per cent stake in WED, one of the three Grand Met subsidiaries, held by Waterford Co-op and which is the principal shareholder in the Waterford Group.

This will involve a further consideration of I£26.4m. The acquisitions are being financed from the recent I£24.3m rights issue and new borrowings.

Mr Michael Dempsey, assistant chief executive for finance, said that the goodwill involved in the UCD and Grand Met acquisitions, amounting to I£66m, will be written off over 20 years.

Mr O'Connor anticipates that the group's annual turnover will now increase to more than I£700m, and will generate operating profits in the region of I£40m.

Some words of warning have been issued by brokers over the group's borrowings to finance its acquisitions, estimated at I£130m, although the company believes this will be paid off "in two to three years" out of the increased cash flow.

Mr O'Connor said that interest cover is expected to remain above 3, despite the new borrowings.

Earnings per share rose to 9.27p (6.26p) and a final dividend of 1.525p per A share is recommended, giving a total for the year of 2.625p (2.5p).

TSW declines to £1.95m after heavy reorganisation costs

By Raymond Snoddy

TSW-TELEVISION South West Holdings, the ITV company which has lost its franchise, yesterday announced a sharp drop in pre-tax profits to £1.95m for the 17 months to December 31.

The figure compared with £4.7m profit in the 12 months to July 31 1990.

The outcome was struck after Exchequer levy of £2.55m and exceptional items of £2.54m mainly resulting from a reorganisation of the company.

TSW also had an extraordinary charge of £4.15m – being the expense of the original franchise bid, the cost of the judicial review of the Independent Television Commission's decision not to give TSW a licence and the associated closure costs.

As well as planning the phased reduction of staff TSW said yesterday it was considering all the options open to it following the loss of its broadcasting licence.

One option is to realise its assets and distribute the cash to shareholders.

"Others are being explored in considerable depth with the objective of enhancing shareholder value," TSW said.

Sir Brian Bailey, chairman, said he thought the results were "very creditable" against the background of economic recession and poor advertising revenue.

The company would continue to provide viewers with the standard of service to which they are entitled until the end of the franchise period at the end of this year.

Turnover was £59.5m compared with £44m for the previous 12 months. Earnings per share were 5p (12.6p) and following the payment of two interim dividends amounting to 4p a final dividend of 3p is recommended making a total of 7p (5p).

TSW also said that it saw no need to make provision against the overall net book value of the assets at the balance sheet date when the company had net cash of £3.44m.

The shares closed unchanged at 52p.

Plastiseal dives into red after poor second half

By Angus Foster

PLASTISEAL, which manufactures windows and doors, mainly for the public sector, dipped sharply into the red last year following poor sales in the second half.

The USM-traded company incurred a pre-tax deficit of £780,000 for the 12 months to January 31, struck after exceptional charges of £269,000 (£520,000), as profits of £496,000 on property disposals were offset by closure and re-organisation costs of £765,000.

Properties worth a further £700,000 are being held for resale.

The outcome compared with profits of £310,000 last time and £438,000 at the interim stage. Turnover fell to £13.7m (£18m). There was an operating loss of £147,000 (£1.15m profit).

Mr Anthony Marson, who took over as chairman this month, said that the company was affected by lower local authority and Property Services Agency spending.

However, he said that there has been a slight improvement since the election and that the company is expected to return to profit this year.

Interest charges increased to £364,000 (£320,000) on net borrowings of about £3.5m.

Year-end gearing went above 100 per cent, due to seasonal factors, but it has since been reduced.

Mr Michael Price, one of the two former joint chairmen, has resigned. The other, Mr Howard Manttan, becomes managing director.

The Nuneaton head office is being closed down while uPVC window manufacturing has been transferred from Bury to Coventry.

Losses per share emerged at 6.2p (earnings 2.4p) and the final dividend is passed, leaving a total of 1.5p.

Lloyds Chemists bids £6.2m for Ayrshire Pharm

By Maggie Urry

LLOYDS Chemists, which recently took control of rival Macarthy via a £92.5m bid, has made a £6.2m share offer for Ayrshire Pharmaceuticals.

Ayrshire operates 14 chemist shops, two drugstores and a pharmaceutical wholesaling business in Scotland.

The offer involves Lloyds issuing 1.72m new shares, 1.5 per cent of the present total. Lloyds shares fell 5p to 360p.

Holders of 51.3 per cent of Ayrshire's ordinary shares have given irrevocable undertakings to accept.

Lloyds said it planned to use Ayrshire's 28,000 sq ft warehouse and office in Kilmarnock as the nucleus for its distribution and wholesaling activities in Scotland. The acquisition of Macarthy brought Lloyds the Savory & Moore chain which has shops in Scotland.

Wenham to become LBC Radio chairman

By Raymond Snoddy

LBC RADIO, the London commercial station is to appoint Mr Brian Wenham, former managing director of BBC Radio, as its chairman.

Mr Wenham will not only reconstruct the radio company's board but will also lead its bid to retain its franchise, which will be advertised next March.

The decision follows the resignation of Mr Christopher Chataway as LBC chairman. Mr Chataway remains chairman of Crown Communications, LBC's parent group.

The speech-based service will face stiff competition for the renewal of its licence.

Applicants will almost certainly include a consortium put together by Mr Douglas Moffitt, LBC's financial editor for 17 years, who refused to sign a new contract last year.

Mr Moffitt has been talking to Sir David Nicholas, former chairman of Independent Television News, about the possibility of leading the franchise application.

Mr Brian Hayes was another high profile departure from LBC. He resigned in 1990 after Mr Charlie Cox, the general manager, decided to reschedule for later in the day the morning phone-in programme which Mr Hayes had run for 14 years.

LBC has been affected by redundancies, losses at Crown, and what has been seen as the abrasive style of its Australian management.

In the year to September 1991, Crown's total deficit came to £6.79m compared to pre-tax profits of £611,000 previously.

RFM, the company's French radio subsidiary incurred losses of nearly £3m.

The appointment of Mr Wenham, chairman of Crown's small television subsidiary, represents an attempt to strengthen the board in what may be a fight for survival.

LBC has already been increasing its audience share, according to industry research.

Pilkington appoints new group chief executive

By Maggie Urry

PILKINGTON, the glass group, is appointing Mr Roger Leverton as group chief executive. He is replacing Mr Derek Cook, group managing director and deputy chairman, who will retire in June having reached the normal retirement age of 60 last December.

Mr Leverton is currently president and chief executive of Indal, a Canadian subsidiary of RTZ, the mining and industrial group. He is 53, and will join Pilkington in July.

Sir Antony Pilkington, chairman, said that Mr Leverton had "an excellent track record as an international manager".

His appointment would help the group with its strategy of "increasing the group's focus in our key business territories around the world," Sir Antony added.

Mr Leverton was chief executive of MK Electric, the electrical products maker, which RTZ took over in 1988 through a hostile bid.

Previously he had been with Black & Decker, the electrical goods group.

Sir Antony said the appointment was the result of a search, aided by headhunters, for a new chief executive and Mr Cook had stayed on past retirement age until the place was filled.

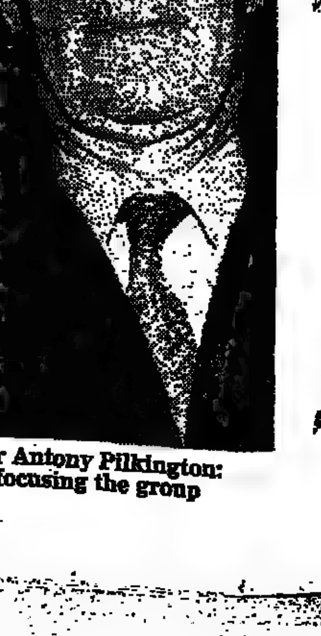
Lord Croham, an independent director, is to retire in December and Sir Michael Quinlan, a former permanent under-secretary at the Ministry of Defence, will join the board as a non-executive in October.

Pilkington, which makes glass for both the construction and automotive industries, has suffered badly in the recession in the UK and North America with profits down from £314.3m to £151.6m in the 1990-91 year.

Its shares have been under a cloud since it fought off a hostile takeover bid from BTR, the conglomerate, in January 1987.

In the past two years Pilkington has been reviewing all its operations and has sold a number of peripheral activities which were not performing.

Bid speculation flared again when BTR increased its stake in December 1990 but has since subsided once more.



Sir Antony Pilkington: refocusing the group

COMPANY NEWS: UK

SmithKline Beecham expands in Germany

By Anthony Robinson, East Europe Editor

SMITHKLINE Beecham has bought a former East German vaccine company from Treuhandanstalt, the German privatisation agency, in a move which takes the UK-based pharmaceutical group into the manufacture of influenza vaccines for the first time and strengthens its position in central Europe.

The purchase of Sächsisches Serumwerke (SSW) by SmithKline Beecham Biologicals gives it control over the largest producer of influenza vaccines in Germany with 1991 sales of about Dm30m (£10.2m).

It takes over a workforce of 300 at the company's Dresden factory and has guaranteed to invest about Dm10m over the next five years to develop the site into a manufacturing site with full European regulatory approvals.

Robert Fleming, the merchant bank which advised Treuhandanstalt on the sale, said the acquisition marked the first foreign purchase of an East German pharmaceutical company.

Only some 350 of the more than 5,000 former East German companies privatised by Treuhand have been sold to foreign concerns.

In this case the UK-based company outbid Behring Werke, a subsidiary of Hoechst of Germany, and Ivax, an associate of the North American Vaccine Company.

Purchase of the German company offered SB both a new product line and manufacturing and marketing access to the German and central European markets.

Mr Jan Leschly, chairman of Worldwide Pharmaceuticals at SB said "SmithKline Beecham Biologicals is one of the few worldwide vaccine producers which has no existing flu manufacturing facilities.

"This investment in SSW therefore represents excellent commercial logic and an important addition to our portfolio of vaccine products in Europe."

EIT lifts final dividend to reflect inflation target

By Philip Coggan, Personal Finance Editor

EDINBURGH Investment Trust yesterday announced a 5.1 per cent increase in its final dividend to 5.2p, despite a 3.8 per cent fall in net assets per share over the year to March 31.

Mr Ian Massie, fund manager, said the trust's long term policy was to increase dividends faster than inflation. He was confident about the outlook for the economy. Portfolio performance lagged behind the FT-A All-Share index, which fell 1.8 per cent during the year. Mr Massie said the cyclical sectors in which the trust had invested had shown an improved performance since the general election.

At the end of March, the geographical split of assets was as follows: UK (61.2 per cent); North America (10.7 per cent); Europe (13.9 per cent); Japan (9.4 per cent); other Far East (5.4 per cent).

Net assets per share at end-March were £745.8m, equivalent to 253.8p per share, against an adjusted 263.8p at end-March 1991. The final dividend increases the total to 8.05p (7.7p), payable from earnings of 8.19p (8.17p) per share.

Yule Catto rises to £21.8m

YULE CATTO, the industrial chemicals and building products group, lifted pre-tax profits from £20.5m to £21.8m in 1991 in spite of "the continuing recession which affected many of the markets served by group companies".

Turnover advanced to £265m (£254m).

Lord Catto, chairman, said the speciality chemicals division contributed record profits through the realisation of marketing and organisational strategies developed in earlier years.

Many of the building product companies "fared surprisingly well" given the present trading conditions.

The group was fortunate in having a wide spread of business within the European Community, Lord Catto said, with a number of companies still experiencing reasonable if slower growth in their domestic markets.

He was confident that the division had contained the deterioration in order books and that current activity levels were satisfactory.

On current trading, operating results were ahead both of internal targets and the corresponding period of 1991.

After tax of £6.55m (£6.71m) and minorities, earnings per share amounted to 16.1p against 14.2p. The proposed final dividend is lifted to 3.1p for a total of 5.4p (4.7p).

There was an extraordinary credit of £4.25m (£838,000 debit) resulting from the sale of the Malaysian plantations in January 1991.

Net borrowings at the year end were reduced to £11.5m compared with a high of £35.2m at the end of 1990 because of the acquisitions made in that year.

During 1991 the sale of the plantations realised £16.5m in total while continuing operations contributed net cash of £7.2m.

NEWS DIGEST

Folkes shows sharp fall to £2.5m

FOLKES GROUP, the West Midlands-based property, engineering and building products concern, suffered a 38 per cent fall in 1991 pre-tax profits from £4.03m to £2.5m.

Mr Constantine Folkes, chairman and chief executive, said that the company had yet to see signs of recovery. With uncertainty and a lack of confidence in industry, it was difficult to predict the outcome for the current year.

Operating profit fell to £2.54m (£3.07m) and there was a turnround from interest received of £919,000 to payments of £60,000.

Mr Folkes said that the property division performed well, helped by development projects coming on stream and enhanced rent revisions.

The engineering side was satisfactory but fortunes of the building products businesses were dominated by the progress of the housing market.

Group turnover was £43.2m (£47.7m) and earnings per share came out at 4.98p (7.49p). An increased final dividend of 1.8p is proposed for a total of 2.375p (2.3p).

Explaura deficit rises to £2.11m

Explaura Holdings, the USM-quoted producer of limestone aggregate, reported increased pre-tax losses for 1991 of £2.11m, against £1m.

The second half loss was reduced from £958,000 to £764,000 reflecting increasing production and sales.

Turnover advanced from £288,000 to £1.92m. Losses per share were 1.68p (0.87p).

UB develops sweet tooth in Italy

United Biscuits has established a presence in the Italian confectionery business by acquiring 74 per cent of Aura, a privately-owned manufacturer of chocolate and praline confectionery, for an undisclosed cash sum.

Aura, which will operate as part of Terry's, UB's confectionery subsidiary, had sales last year of £17m and is said to be profitable. It has a factory near Genoa with 160 employees.

UB plans to distribute some of its existing confectionery range through Aura and to supply Aura's products through its network in other parts of Europe.

UB expects eventually to take full control of the Italian company.

NI merger creates First Trust Bank

The merged AIB and TSB banks in Northern Ireland will be known as the First Trust Bank, it was announced yesterday.

The merger will bring a combined workforce of 1,500 and more than 100 branches to the province.

The First Trust Bank identity will be introduced to TSB branches in the coming months and extended to all AIB group offices in Northern Ireland during 1993.

Tamaris continues financing talks

Tamaris, the troubled nursing homes operator, is still in discussions regarding further financing to secure the future of the company.

It hopes to make a further announcement to shareholders next week.

The statement accompanied the company's results for the half year to end-September which showed pre-tax losses of £475,000 (£460,000) on turnover of £1.28m (£2.05m).

Losses per share worked through at 2.86p (8.57p); dividends on both the ordinary and preference capitals are passed.

Currency exchange lift for Sennah

Sennah Rubber, an investment company with holdings in tropical plantations and financial services companies, reported profits of £824,879 pre-tax for 1991.

The increase from the previous year's £767,352 came despite lower gross income of £970,487 (£1.05m) and reflected a turnround to profits on currency exchange.

Earnings per share worked through at 1.2p (1.09p) and the single distribution for the year is held at 0.5p.

Row over cereal prices threatens CAP reforms

By David Gardner in Luxembourg

SHARP differences between the European Commission and the current Portuguese presidency of the European Community last night cast a new shadow over Brussels' well-advanced plans to reform the Common Agricultural Policy.

The presidency, in its fourth attempt to to reach a compromise on the reform, wants to limit the cut in subsidised cereals prices to 27 per cent over three years.

This compares with the 35 per cent reduction called for in the original proposals of Mr Ray MacSharry, the EC agriculture commissioner, and the 30 per cent compromise suggested by Portugal last month.

Further slippage in planned cuts on cereals subsidies increases the risks of failure of the Uruguay Round of the negotiations on the General Agreement on Tariffs and Trade. EC wheat exports are the main obstacle to a Gatt agreement, which would liberalise large new sectors of world trade.

The US will not move from its demand that the EC not only cut farm subsidies by 36 per cent over five years, but cut the volume of subsidised produce it exports by 24 per cent.

The community is prepared to offer a 20 per cent cut in volume – a difference of about 3m tonnes of wheat, the most politically volatile commodity left to stabilise.

However, the cereals chapter is the centrepiece of the CAP reform, and Brussels believes too much fiddling with it could unravel the package as a whole, and nullify its effects in the arable sector, where high productivity growth would create new EC budgetary problems and trade frictions.

"The reduction in the price of cereals [proposed by the EC presidency] is not near what we regard as necessary," a senior commission official said yesterday.

"We have to distance ourselves from the commission's original proposals in order to get a consensus among the member states," a spokesman for the presidency countered.

The failure of last week's EC-US summit to achieve a breakthrough on the Uruguay Round also means that some EC member states will try to slow-pedal on CAP reform, arguing that the commission's plans risk going beyond what Gatt will require of the EC farm sector.

As a three-day farm council began in Brussels yesterday, these uncertainties made it most unlikely that any agreement would be possible before June at the earliest.

De Beers boosts gem marketing

By Kenneth Gooding, Mining Correspondent

FACED WITH a sharp fall in diamond sales, De Beers, the South African group which controls more than 80 per cent of the rough (uncut) diamond market, is lifting its promotional budget for the gems by 9 per cent this year to a record $164m, the group's chairman, Mr Julian Ogilvie Thompson, announced yesterday.

Mr Ogilvie Thompson also reported that De Beers' diamond sales were improving, but he expected them to fall by 15 per cent in dollar terms during the first half of 1992 compared with the same months last year.

This follows a 6 per cent fall last year, to $3.927bn.

Mr Jeremy Pudney, director of De Beers' Central Selling Organisation, responsible for consumer promotion and advertising, said the increase in the promotional budget – 5 per cent in real terms – would be aimed mainly at Europe and south-east Asia.

The group will next month launch its biggest television advertising campaign in Europe for diamonds. The number of people in Europe buying diamonds had doubled in the past 10 years, but they were spending much less per head than US buyers. "We are trying to get a greater share of Europe's wealth," Mr Pudney said.

About $15m will be spent on the European television promotion, mainly in the biggest markets: France, Germany, Italy, Spain and the UK.

A stroke of luck will enable the campaign to be launched in the UK on May 4 during a showing of the James Bond film, Diamonds Are Forever.

De Beers is also studying carefully the Chinese and Indian markets, where Mr Pudney says there is a "cultural affinity" for diamonds.

The group has been advertising in China for some years, and now believes sales can be stimulated in the Guangdong region, close to Hong Kong.

One indication of the potential was that in the urban area, Guangzhon, research showed that 98 per cent of households owned a television set.

At a briefing in London to coincide with the publication of De Beers' annual report, Mr Ogilvie Thompson suggested that the diamond trade felt that the present improvement in demand for polished stones would gather momentum.

"We expect sales for the second half of 1992 to be higher than the same period last year. When the world economy resumes a reasonable rate of growth, the diamond business can be confident of renewed prosperity," Mr Ogilvie Thompson said.

Zimbabwe counts cost of drought

Farm output is set to slump to a 30-year low, reports Tony Hawkins

As the summer draws to its close, Zimbabwe's farmers are counting the cost of what for most of them is the worst drought they have ever experienced. Over the country as a whole, rainfall has been less than half the seasonal average; in many southern and eastern areas, it has been between a tenth and a third of normal levels.

Crop production has been devastated, with the exception of drought-resistant tobacco, where output has risen 6 per cent to 180m kg. Maize deliveries to the state-owned grain marketing board will fall by 90 per cent this year to 60,000 tonnes, from more than 600,000 tonnes last year and an annual average of more than 1m tonnes in the late 1980s.

Cotton deliveries are forecast at less than 90,000 tonnes, down from 205,000 tonnes in 1991, soyabeans at 30,000 tonnes (133,000 tonnes last year), while winter wheat production is expected to fall to less than a third of normal levels. In the low veld, where rains have been below normal since 1989, sugar production has come to a halt, turning Zimbabwe from a substantial exporter into a net importer.

At Z$3.7bn (£410m) last year, agriculture accounted for almost 20 per cent of gross domestic product, though in real terms, it was 8 per cent below the mid-1980s peak. Flue-cured tobacco accounts for just over half of this, and while there is likely to be some modest growth in the value of its output this year, the rest, with the exceptions of beef and horticulture will fall catastrophically; so much so that, in real terms, farm output in 1992 is projected to slump to its lowest levels for 30 years.

The impact on the economy will be devastating. Growth is forecast to decline from 3.6 per cent last year to between minus 4 and minus 5 per cent in 1992. Following last year's 45 per cent devaluation of the Zimbabwean dollar, exports of farm produce in US dollar terms will be sharply lower, with tobacco earnings of less than US$500m, compared with $520m in 1991 (28 per cent of total exports). The collapse of sugar, cotton, and maize exports and reduced foreign earnings from coffee and tea will cost the country at least $150m (10 per cent of exports) over the next 12 months.

Police had to be called to a Harare store last month after a mad scramble developed for scarce basic foodstuffs

At the same time, the country will need to import at least $350m worth of maize, wheat, sugar and possibly, later in the year, dairy products.

After allowing for some reduction in other imports and higher exports of manufactures and some minerals, the balance of payments impact will exceed $300m – at the very least – pushing the current account deficit above $1bn, or 20 per cent of GDP.

Financing this will be difficult given similar emergency food aid demands in the region from Angola, Malawi, Mozambique and Zambia. The traditional suppliers of maize to these countries – South Africa and Zimbabwe – will be importing up to 7m tonnes themselves this year (5m tonnes for South Africa and 2m tonnes for Zimbabwe).

Compensatory funding will be available from the International Monetary Fund, but when this and other aid commitments are taken into account there is certain to be an unfilled gap in the region, which for Zimbabwe will mean diverting other aid funds and export earnings to pay for food.

Transport poses an even more formidable challenge than financing. The entire southern African region will need an estimated 10m tonnes of food imports this year. Zimbabwe's needs are put at about 2m tonnes of maize and 500,000 tonnes of wheat, sugar and other products, while Malawi will need at least 1m tonnes and Zambia more than 800 000 tonnes. The port of Beira in Mozambique is expected to handle a minimum of 600,000 tonnes of this traffic, while the Zambians expect to bring in some of their requirements from the Tanzanian port of Dar es Salaam.

But the main burden will fall on South Africa, which has dedicated the ports of Cape Town, Port Elizabeth and East London to regional food imports.

Initially, Spoornet, the South African railways, will run two liner trains daily, each carrying 700 tonnes of food, though the frequency will increase later. Zimbabwe's authorities will have to grapple with the problems either of running the trains through to the main distribution centres, such as Harare and Bulawayo, or transferring the maize to the Zimbabwe rail and road systems at the Beit Bridge border.

While transport industry officials expect Spoornet to cope, there are doubts as to the capacity of the regional systems in Malawi, Mozambique, Zambia and, to a lesser degree, Zimbabwe.

In addition to its direct impact on agriculture, the drought will have far-reaching consequences for the Zimbabwean economy. The reduced water flow through the Kafue Gorge in neighbouring Zambia has forced Lusaka to suspend electricity exports to Zimbabwe, which next month will impose a 20 per cent electric power cut. This will have serious repercussions on mining and manufacturing, with mining sources warning that output and exports could fall by as a much as a fifth.

Some mines are also in difficulty because of the water situation, while mineral exports could be jeopardised by transport congestion.

The country's textile and clothing industry – the main exporter of manufactured goods – has warned of production cutbacks and lay-offs unless it is allowed to import cotton this year. The banks, already under pressure to contain lending as part of the government's on-off credit squeeze, will be forced to carry farmers' overdrafts through until the 1993 harvest. Next year's crop and livestock production will remain below average – even if good rains fall – as early plantings will be reduced because of a lack of irrigation. After a drought-induced surge this year caused by destocking, beef production will fall sharply as cattlemen rebuild their herds. The dairy sector, like maize, was in crisis before the drought, because of the government's producer price policy, which has pushed farmers into export crops (such as tobacco), horticulture and even game farming.

At best, it will take the industry until 1994-95 to regain average production levels of the late 1980s, while the economy as a whole is unlikely to recover fully from the drought of 1992 for at least two years.

USDA acts quickly to beat African snail threat

By Nancy Dunne in Washington

THE US Department of Agriculture (USDA) has set up a "dragnet" to capture giant African snails, which it believes may get free in the US, reproduce swiftly and begin feeding voraciously on American vegetables and fruits.

In the week since it raised the alarm, the department has "recovered" more than 125 of the fist-sized snails, of the species Archacatina Marzinata, mostly from the relative safety of pet shops. Only one suspect was sighted in the fields – in Kansas – but it turned out to be an indigenous broccoli snail.

Ms Roberta McCorkle, a USDA spokesperson, said the creatures looked like "a slime puddle" or "melted chocolate" when they left their shells to feed. They reproduced easily, she said, although they did need partners.

The snails were illegally imported from Lagos, the commercial capital of Nigeria, from a broker through John F. Kennedy Airport in New York, according to Mr Glen Lee, a department official. The shipments were listed as reptiles and therefore not seen by USDA inspectors.

They are popular as terrarium pets, and department officials are worried that they may be freed by their owners, intentionally or – as was the case with the costly gypsy moth – by accident. In the 1970s it took the agricultural authorities nearly six years to eradicate a similar giant African snail, and the final bill was estimated at between $5m and $7m.

Department officials are now ploughing through pet store records to determine just how many of the threatening gastropods were imported and distributed.

They are asking owners to turn in their snails for "humane" disposal.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,700-1,750 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.40-3.00 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.90-1.10 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 27.50-28.50 (26.50-27.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-140 (110-125).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.11-2.17 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.05-2.15 (2.05-2.20).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.85 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+625	to 1,213,250
Copper	−1,825	to 261,100
Lead	−800	to 129,975
Nickel	+174	to 26,506
Zinc	+3,050	to 239,[illegible]
Tin	−45	to 12,060

Minnova outlines its plans for Izok Lake project

By Robert Gibbens in Montreal

CANADA'S Minnova mining company hopes to build up reserves at its Izok Lake copper-zinc-lead project in northern Canada to justify a 1993 construction go-ahead and a production start late in 1996, according to Mr David Watkins, Minnova's president.

The company, controlled by Noranda, bought Izok Lake from Falconbridge last year for C$20m (£9.5m) and recently sold 40 per cent to the German-controlled Metall Mining for C$17m. Minnova is the operator and puts development costs at C$250m or more for the open pit mine and port near Coppermine, Northwest Territories, 2,000 miles north of Calgary.

The company has three drills working at Izok Lake. It will also add reserves from two other properties it owns in the area.

Estimated reserves are 18.5m tonnes grading an average 3.2 per cent of copper, 14.4 per cent of zinc, 1.3 per cent of lead and 74 grammes a tonne of silver. "We're thinking in terms of a mine life of 25-30 years," said Mr Watkins.

Speaking after Minnova's annual meeting, he called Izok lake "one of the world's major high-grade base metal properties". Other companies with mines or undeveloped properties nearby may want to invest in it, he added.

Minnova planned a mill at the mine site and would truck the concentrates 160 miles to port, Mr Watkins said. They would be stockpiled and pulled out during an eight-month shipping season in a 50,000 tonnes Class IV ice-breaking bulk-carrier, via the Northwest Passage.

The Point Barrow route around the northern tip of Alaska would have a two months season only, Mr Watkins said. The vessel would also pull nickel concentrates from northern Quebec. The high-grade Raglan mines have been awaiting development for 25 years.

WORLD COMMODITIES PRICES

MARKET REPORT

COFFEE and COCOA prices fell to the lowest levels since the early 1970s at the London Futures and Options Exchange in early trading, but both rallied towards the close to end with relatively moderate losses on the day. The July position on the cocoa market slipped to a fresh 16½-year low of £587 a tonne as selling by the Ivory Coast, the biggest producer, found buying interest extremely thin. But buyers emerged eventually, although one trader described this as "just a bit of bargain-hunting", and the July price recovered to £598 a tonne, down £5 on the day. The coffee market fared even worse early on, the July contract dipping to a 20-year low of $760 tonne. Dealers suggested that extra pressure was being put on coffee prices by producers being forced to sell quickly to pay off debts: "No one can afford to hold coffee at origin so everything is coming straight out," analyst Mr Peter Kettle of E.D. and F. Man (Coffee) explained. The late rally started after the New York market opened firmer than expected and by the close the July price had moved up to $765 a tonne, down $4 on the day.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.70-6.75	+0.15
Brent Blend (dated)	$19.10-9.20	+.275
Brent Blend (Jun)	$19.05-9.10	+0.20
W.T.I (1 pm est)	$20.35-0.45z	+0.20
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$217-219	+1.5
Gas Oil	$176-177	+2
Heavy Fuel Oil	$74-76	+1
Naphtha	$182-184	+1
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$337.00	+1.1
Silver (per troy oz)♣	397.0c	+1
Platinum (per troy oz)	$343.90	-0.35
Palladium (per troy oz)	$82.65	+0.25
Copper (US Producer)	103.32	-0.66
Lead (US Producer)	37.37c	
Tin (Kuala Lumpur market)	14.59r	+0.05
Tin (New York)	272.5	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.32p	-1.14*
Sheep (live weight)†♣	93.37p	-1.26*
Pigs (live weight)†	98.43 p	-0.36*
London daily sugar (raw)	$245.5t	-3.3
London daily sugar (white)	$276.0t	-1.5
Tate and Lyle export price	£247.5	-1.5
Barley (English feed)	£119.25	
Maize (US No. 3 yellow)	£147.75w	
Wheat (US Dark Northern)	£120.0w	
Rubber (Jun)♥	56.00p	+0.5
Rubber (Jul)♥	56.25p	+0.5
Rubber (KL RSS No 1 May)	220.5	+0.5
Coconut oil (Philippines)§	625.0t	-10
Palm Oil (Malaysian)§	$397.5z	-2.5
Copra (Philippines)§	$415.0	-5
Soyabeans (US)	£150.5t	
Cotton "A" index	59.55c	+0.65
Wooltops (64s Super)	448p	

£ a tonne unless otherwise stated p-pence/kg. c-cents/lb r-ringgit/kg t-May/Jun y-Apr/May w-Apr z-May †Meat Commission average livestock prices * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	214.00	218.00	218.00 212.00
Aug	214.00	214.00	212.40
Oct	202.00	201.00	200.40 200.20
Mar	196.00	194.00	194.00
White	**Close**	**Previous**	**High/Low**
Aug	274.90	274.00	276.50 272.50
Oct	268.70	266.50	270.00 265.80

Turnover: Raw 1108 (178) lots of 50 tonnes. White 948 (584)

Paris- White (FFr per tonne): Aug 1862.95 Oct 1530.85

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jun	19.11	18.95	19.16 18.98
Jul	19.01	18.85	19.05 18.87
Aug	18.93	18.80	18.96 18.82
Sep	18.90	18.78	18.90 18.76
Oct	18.90	18.76	18.90 18.75
Dec	18.84	18.73	18.85 18.67
Jan	18.76		18.74 18.70
Feb	18.76		18.66 18.66
IPE Index	18.93	18.83	

Turnover 26134 (13813)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
May	173.25	171.25	174.00 171.75
Jun	173.25	171.25	174.00 172.00
Jul	174.00	171.75	174.50 172.50
Aug	175.75	173.75	176.00 174.25
Sep	177.75	175.75	177.25 176.00
Oct	180.00	178.00	180.00 178.25
Nov	180.75	179.00	180.75 180.50
Dec	181.50	180.50	182.25 180.50
Jan	180.75		180.75 180.50

Turnover 11031 (9029)lots of 100 tonnes

JUTE

C and F Dundee: BTC US$385, BTD US$360 C and F Antwerp: BTC US$370, BWC US$370, BTD US$350, BWD US$ 350.

COTTON

MANCHESTER-Spot and shipment sales for the week ending 24 April1992 amounted to 328 tonnes against 132 tonnes in the previous week. Quiet trading persisted with interest being shown only in West African growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	569	573	575 557
Jul	598	603	603 587
Sep	626	628	630 613
Dec	653	664	663 649
Mar	697	700	700 685
May	720	722	723 709

Turnover: 5462(4781) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Apr 27 760.15 (765.28) 10 day average for Apr.28 767.99 (767.67)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
May	736	743	745 726
Jul	765	769	771 750
Sep	781	787	791 770
Nov	799	804	809 791
Jan	818	827	826 810
Mar	841	844	836 836
May	860		850

Turnover:5602 (2948) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Apr.23: Comp. daily 51.13 (52.07) 15 day average 53.89 (54.26)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
May	116.0	115.6	116.0 115.6
Apr	118.0	117.8	117.7 116.0

Turnover 43 (146) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	125.00		
Jun	119.00	113.50	119.00
Oct	125.00		125.00

Turnover 200 (50) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Apr	1197	1197	1200 1196
May	1264	1262	1265 1253
Jun	1198	1188	1198 1175
Jul	1130	1128	1130 1125
Oct	1246	1243	1246 1238
BFI	1192	1188	1192

Turnover 235 (56)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
May	124.60	124.20	124.60 123.90
Jun	126.00	125.60	126.00 125.20
Nov	114.90	115.10	115.00 114.90
Barley	**Close**	**Previous**	**High/Low**
May	117.75	117.65	117.75

Turnover: Wheat 314 (82) . Barley 10 (68).

Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	128.5	129.0	128.5

Turnover:0 (68) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,390 lots	
Cash	1294.5-95.5	1314.5-15.	1304	1303-04		
3 months	1320-21	1340-41	1335/1320	1328-29	1325-25.5	185,490 lots
Copper, Grade A (£ per tonne)					Total daily turnover 24,155 lots	
Cash	1236-37	1241-42	1240.5/1237	1240.5-41		
3 months	1267-68	1270-71	1272.5/1267	1271.5-72	1270-70.5	102,983 lots
Lead (£ per tonne)					Total daily turnover 5,981 lots	
Cash	298-99	299.5-300		298.5-99		
3 months	310-11	312-2.5	311.25/310.5	311-1.25	310-311	18,554 lots
Nickel ($ per tonne)					Total daily turnover 2,445 lots	
Cash	7420-30	7450-60	7430	7425-30		
3 months	7510-15	7540-50	7530/7505	7510-15	7515-20	23,769 lots
Tin ($ per tonne)					Total daily turnover 1,224 lots	
Cash	5885-95	5855-65	5880/5876	5876-77		
3 months	5895-900	5870-80	5910/5885	5880-82	5895-900	8,[illegible] lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 17,481 lots	
Cash	1346-48	1352-53	1353	1352.5-53.5		
3 months	1293.5-94	1305-06	1304/1285	1293-94	1287-88	57,390 lots

LME Closing £/$ rate: SPOT: 1.7750 3 months: 1.7473 6 months: 1.7258 9 months: 1.7056

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	336.80-337.20	
Opening	336.70-337.10	
Morning fix	336.85	190.117
Afternoon fix	336.75	189.932
Day's high	337.50-337.80	
Day's low	336.50-336.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.14	6 months	3.30
2 months	3.14	12 months	3.34
3 months	3.20		

Silver fix	p/fine oz	US cts equiv
Spot	224.65	397.75
3 months	230.80	401.90
6 months	236.30	406.15
12 months	247.35	415.90

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	336.75-337.75	190.00-190.50
Maple leaf	347.50-348.50	195.75-196.25
New Sovereign	83.00-84.00	46.75-47.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	103	112	3	3
1300	14	34	11	23
1400	3	8	97	92
Copper (Grade A)	**Calls**		**Puts**	
2150	56	68	3	5
2250	3	11	43	47
2350	5	3	142	136
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
700	69		4	
750	32	50	17	27
800	12	33	47	52
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
600	35		12	
625	21		23	
650	12	32	39	32
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	-		10	32
1900	32	47	26	
1950	11	26		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	336.9	336.6	338.2	337.2
May	338.9	336.6	0	0
Jun	337.2	337.1	338.5	336.7
Aug	339.1	339.1	340.5	339.0
Oct	341.0	341.0	341.8	341.0
Dec	343.1	343.1	344.5	343.0
Feb	345.5	345.5	346.2	346.2
Apr	347.8	347.8	348.1	348.1
Jun	350.4	350.4	350.0	350.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	342.5	342.5	344.4	340.1
Oct	346.4	346.3	348.5	344.5
Jan	346.5	346.3	349.0	345.0
Apr	348.0	348.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	394.0	394.1	0	0
May	394.0	394.3	396.0	393.0
Jun	395.6	395.9	0	0
Jul	397.1	397.3	399.0	396.0
Sep	400.4	400.6	402.5	400.0
Dec	405.2	405.5	407.5	404.5
Jan	406.9	407.2	0	0
Mar	410.7	411.0	413.0	410.0
May	414.6	414.9	415.0	415.0
Jul	418.6	418.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	100.15	99.70	100.15	99.15
May	100.20	99.75	100.25	99.25
Jun	100.40	99.95	99.75	99.70
Jul	100.70	100.15	100.80	99.70
Aug	100.80	100.20	0	0
Sep	100.95	100.30	100.90	100.00
Oct	100.95	100.30	100.75	100.75
Nov	100.95	100.30	100.80	100.75
Dec	100.95	100.30	100.70	100.00
Jan	100.75	100.15	99.90	99.90

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	9.75	9.83	9.82	9.65
Jul	9.64	9.38	9.66	9.55
Oct	9.02	8.98	9.07	8.91
Mar	8.93	8.88	8.95	8.82
May	8.89	8.83	8.89	8.80
Jul	8.91	8.86	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jun	20.41	20.29	20.46	20.32
Jul	20.46	20.35	20.51	20.38
Aug	20.46	20.34	20.48	20.39
Sep	20.42	20.31	20.44	20.35
Oct	20.38	20.28	20.38	20.30
Nov	20.33	20.24	20.32	20.28
Dec	20.29	20.21	20.33	20.24
Jan	20.21	20.14	20.21	20.16
Feb	20.14	20.08	20.13	20.13
Mar	20.08	20.03	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
May	5812	5530	5635	5540
Jun	5553	5501	5585	5515
Jul	5546	5504	5570	5515
Aug	5586	5575	5630	5590
Sep	5716	5700	5750	5740
Oct	5816	5800	5850	5830
Nov	5909	5890	5960	5930
Dec	5991	5980	6020	6000
Jan	6016	6000	6050	6026
Feb	5911	5895	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	888	906	896	888
Jul	933	954	951	932
Sep	976	996	994	975
Dec	1030	1048	1045	1030
Mar	1074	1092	1090	1080
May	1104	1123	1115	1115
Jul	1130	1158	1140	1135
Sep	1160	1185	0	0
Dec	1198	1223	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	63.85	64.10	65.25	63.20
Jul	64.85	65.40	66.60	64.40
Sep	66.90	67.56	68.70	66.65
Dec	70.30	70.90	72.20	70.30
Mar	73.86	74.40	75.00	73.75
May	76.25	77.50	77.50	76.25
Jul	77.75	79.00	80.25	80.25
Sep	81.50	81.25	81.50	81.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	60.72	60.87	60.95	60.50
Jul	61.76	61.99	62.05	61.35
Oct	62.66	62.80	62.77	62.35
Dec	63.25	63.08	63.36	62.80
Mar	64.40	64.20	64.40	63.80
May	64.75	64.70	64.30	64.25
Jul	64.83	64.85	0	0
Oct	64.00	64.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	133.00	135.50	135.10	125.00
Jul	127.20	131.50	131.20	127.10
Sep	120.00	124.50	124.00	120.00
Nov	113.50	117.65	117.50	113.50
Jan	113.00	117.05	117.00	113.00
Mar	112.70	117.00	117.00	114.00
May	112.70	117.00	115.00	115.00
Jul	112.70	117.00	0	0
Sep	112.70	117.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr.28	Apr.27	mnth ago	yr. ago
1610.7	1603.6	1589.4	1731.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr.27	Apr.24	mnth ago	yr ago
Spot	116.27	114.72	117.86	126.20
Futures	119.35	118.68	121.90	127.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	573/6	574/0	575/4	572/6
Jul	580/2	579/6	582/0	578/6
Aug	585/4	583/6	586/0	583/0
Sep	587/4	587/6	589/4	587/0
Nov	594/6	593/4	596/6	592/4
Jan	603/4	602/0	605/6	601/4
Mar	612/4	611/2	614/0	610/4
May	620/0	618/4	621/0	618/0
Jul	625/4	624/0	626/0	624/0
Nov	603/4	604/0	603/4	601/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	19.24	19.41	19.38	19.21
Jul	19.54	19.66	19.65	19.52
Aug	19.70	19.78	19.80	19.68
Sep	19.86	19.87	19.95	19.85
Oct	20.02	20.05	20.12	20.02
Dec	20.33	20.39	20.44	20.31
Jan	20.50	20.50	20.52	20.49
Mar	20.70	20.80	20.90	20.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	173.9	174.2	174.5	173.7
Jul	176.6	176.7	177.2	176.4
Aug	177.7	177.8	178.3	177.6
Sep	179.0	178.6	179.3	178.6
Oct	195.7	195.2	196.8	195.2
Dec	195.9	195.6	196.7	195.6
Jan	196.0	195.7	198.0	195.8
Mar	196.7	196.1	197.0	196.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	246/0	247/0	248/4	245/6
Jul	251/2	251/4	253/2	251/0
Sep	249/4	249/0	250/6	249/0
Dec	249/4	249/6	251/0	248/6
Mar	257/4	256/4	258/4	257/0
May	262/0	260/6	263/0	261/4
Jul	266/0	264/6	268/4	265/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	376/2	384/6	383/4	376/0
Jul	360/0	366/4	365/6	359/0
Sep	363/4	370/0	369/4	363/0
Dec	371/0	376/6	375/6	369/4
Mar	371/0	378/6	375/0	371/0
May	359/0	360/0	362/0	359/0
Jul	341/0	343/0	341/0	341/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.025	73.750	74.250	73.925
Aug	70.575	70.475	70.700	70.250
Oct	70.125	70.150	70.250	69.950
Dec	69.900	69.800	70.000	69.700
Feb	69.325	69.300	69.500	69.275
Apr	70.400	70.275	70.450	70.350
Jun	68.300	68.500	68.300	68.250

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.075	48.075	48.300	47.750
Jul	46.250	46.250	46.325	45.900
Aug	44.300	44.225	44.400	44.050
Oct	41.000	40.825	41.050	40.700
Dec	42.950	42.950	42.950	42.750
Feb	43.650	43.825	43.850	43.650
Apr	42.950	42.400	42.500	42.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	35.675	35.425	35.760	35.150
Jul	35.750	35.375	35.800	35.050
Aug	33.250	33.000	33.375	32.950
Feb	43.475	43.450	43.600	42.800
Mar	42.600	42.600	0	42.600

LONDON STOCK EXCHANGE

Market falters after sell programme

By Steve Thompson

THE much-heralded Lloyds Bank move against Midland duly appeared first thing yesterday, but had only a marginal effect on an equity market showing signs of running out of steam after its recent strong performance.

The FT-SE 100-share Index, although closing well above the day's lowest level, finished 7.2 down at 2,651.

Lloyds statement that it intended to launch a hostile bid for Midland – at a price considerably higher than that offered three weeks ago by Hongkong & Shanghai Bank – triggered a burst of excitement driving Midland, as well as the market, better at the outset.

But the market pounced on a number of pre-conditions in the Lloyds statement of intent and share prices quickly moved into reverse. Midland, marked up to 396p immediately the bid news was made public, closed below that level.

Early optimism that the Midland news could launch the Footsie towards a record high was dashed, partly by second thoughts on the latest developments in the takeover saga. Dealers also mentioned general profit-taking, the near 20-point overnight decline on Wall Street and a rapid slide in the Footsie future shortly after trading commenced.

From an opening level of 2,659.5, up 1.3, the Footsie quickly retreated to what proved to be the day's low of 2,635.6, or down 22.6, at mid-morning, additionally weakened by a medium-sized sell programme, said to have been executed by one of the US broking houses as part of a Europe-wide selling operation. The programme was thought to have comprised a large number of second-line stocks, which can often prove difficult to place.

Thereafter, the market stabilised and began to claw its way back with buyers gradually moving in as the session drew to a close, prompted by a moderately encouraging CBI survey of business confidence. Wall Street failed to provide any real support for London, opening lower, staging a modest recovery and then moving down again.

Dealers said there had been an element of nervousness ahead of today's biggest-ever gilts auction of £2.5bn-worth of stock. Sterling turned off late in the session, closing marginally easier against the dollar and the D-mark.

Recent strong takeover speculation in other areas, notably in Tarmac and Pilkington, tended to die down while there were again hints of heavy fund raising via rights issues.

Oil shares were very much in the limelight, with US buyers still chasing BP higher and vague takeover stories and hints of imminent asset sales boosting Lasmo, one of the market's best performers in recent days. Profit downgrades took their toll on British Gas, however. Old hands in the oil sector also recalled a failed market raid by Gas on Lasmo in the late 1980's. Property shares tumbled in the early part of the day but staged a late recovery.

Turnover in equities rose to 604.7m from Monday's 518.4m, but there was disappointment with news that the value of business on Monday dipped below the £1bn level for only the second time since the general election.

Account Dealing Dates		
First Dealings:		
Apr 6	Apr 27	May 11
Option Declarations:		
Apr 23	May 7	May 28
Last Dealings:		
Apr 24	May 8	May 29
Account Day:		
May 5	May 18	Jun 8

*New-time dealings may take place from 8.30 am two business days earlier.

Property revival quashed

THE FRAGILE recovery in the property sector was brought to an abrupt halt yesterday as investors rushed to sell stock following a pessimistic breakfast meeting hosted by Savills, a leading property consultancy.

The meeting, attended by fund managers, analysts, receivers and bankers, heard Savills quash any talk of a short-term property revival and forecast continued weakness in the rental sector until the end of 1994. The meeting coincided with equally bearish analysis by the Investment Property Databank and a gloomy report from County NatWest, the latter suggesting that a secondary market and debt securitisation may be needed to inject liquidity to lift the sector from its malaise.

A late rally limited most damage to those stocks with a large exposure to the central London office market. Great Portland Estates lost 5 to 154p, while Land Securities, off 12 at one stage, rallied to end 3 down at 428p. MEPC also found late support to finish 4 off at 339p after good volume of 2.3m.

Midland climbs

The well flagged counter-bid interest in Midland Bank came through yesterday and the shares responded accordingly. They were marked up 15p at the start of trading and were then bought up to 400p, a five-year high.

Later, Midland shares drifted as speculators who had bought stock when it was sold by the Kuwait Investment Office in its recent 60m-share placing decided to take profits. Midland closed 13 ahead at 394p with more than 27m shares traded.

Lloyds Bank, which announced it was interested in *bidding at 457p a share*, was marked down 14p at the outset. Now that Lloyds has declared *itself, the potential uncertainty* of a Monopolies and Mergers Commission inquiry hangs over the bank. The shares ended a net 10 off at 417p.

Gas downgrade

Concern that the mild winter would impact on forthcoming first-quarter results from British Gas lay behind a sharp fall in the share price. Gas, which is a highly liquid stock and rarely moves by more than a few pence in any one day, closed 7¼ down at 262p with 11m shares traded.

Analysts were said to be cutting their forecasts for the figures, due on May 14, by £50m to around £650m. Mr Keith Morris of Carr Kitcat & Aitken said: "Gas makes about 50 per cent of its money in the first quarter and this is likely to impact on full-year figures." Mr Morris reduced his own full-year forecast by £75m to £1.225bn and his dividend estimate to 14.25p from 15p.

The revived interest in oil shares continued. Some traders attributed it purely to US investors but others said that even UK customers were beginning to feel that the selling might have been too savage. BP, which has been the hardest hit, rose 7¼ to 263½p on heavy turnover of 23m shares, building on Monday's gain. Shell picked up 3 to 474p.

Outside the majors, Lasmo, believed to be about to announce the prospective bidders *for its Wilmington refinery*, rose 11 to 239p. Enterprise improved 7 to 420p.

FKI moved ahead 4 to 78p on high turnover of 12m after S.G. Warburg reiterated a buy recommendation on the stock and following a favourable presentation to City analysts by managing director Mr Bob Beeston, who joined the company in January.

Yesterday it was the turn of investors to be addressed by *the new man at FKI*, at the company's broker Panmure Gordon. Warburg said: "Mr Bob Beeston *is a professional* operator with the right credentials to improve FKI's profitability."

French cement maker Cament Français became the latest rumoured target for Hanson, with talk that the conglomerate was interested in agreeing to take a controlling stake in the company. However, institutional buyers reported that Paribas, Cement Français' *owner*, was offering stock to institutions, making an agreed bid seem unlikely. *Hanson* was a penny off at 234½p.

Wellcome, buoyed by a press report that it could be seeking a US listing for its shares, recovered 14 to 1029p.

British Aerospace lost 6 to 349p after Henderson Crosthwaite cut its current year profits forecast by £40m to £160m. Rolls-Royce put on 3 to 172p on turnover of 3.7m ahead of an analysts' visit to the NEI plant which begins tomorrow.

After Monday's hectic activity, hotel issues were largely friendless. Forte tumbled 7 to 255p in spite of a large institutional presentation at Paribas and a consequent buy note from the French-owned broking house.

Rank Organisation, which rose on Monday after announcing the disposal of its main UK hotels, receded 12 to 727p as *investors reflected on less than* enthusiastic press and broker comment. A 1.3m line of shares *in holiday group Owners* Abroad was placed at 103p. The stock lost ½ to 104½p.

Food group Dalgety advanced 12 to 418p, although market observers tended to play down suggestions of a possible takeover offer.

Turnover in Asda remained very high, totalling 20m shares after 17m on Monday and similar volumes on Thursday and Friday of last week. Profits downgrades continued to burden the shares, which dipped a penny to 26¼p.

Questioning of supermarket *chains'* property valuation and accounting policies by Mr Tony Shiret, analyst at Credit Lyonnais Laing, tended to depress the sector.

MARKET REPORTERS:
Joel Kibazo, Peter John, Colin Millham, Christopher Price.

■ *Other market statistics, Page 27.*

FT-A All-Share Index

1,300 · 1,260 · 1,220 · 1,180 · 1,140 — F M A — 1992

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover

1,000 · 800 · 600 · 400 · 200 · 0 — F M A — 1992

Source: Datastream

FINANCIAL TIMES STOCK INDICES

	Apr 28	Apr 27	Apr 24	Apr 23	Apr 22	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.51	88.53	88.31	88.45	88.49	84.80	88.82 (15/4)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	102.60	102.53	102.24	102.21	102.31	94.13	102.80 (16/4)	97.15 (2/1)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2061.2	2073.7	2072.5	2042.7	2034.6	1953.7	2073.7 (27/4)	1851.4 (3/4)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	107.3	107.4	109.2	111.0	111.9	142.1	160.6 (10/1)	107.3 (28/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2651.0	2658.2	2643.0	2609.8	2607.8	2486.2	2658.2 (27/4)	2382.7 (3/4)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1217.07	1219.54	1213.35	1212.01	1213.46	1150.70	1219.54 (27/4)	1120.52 (8/1)	1219.54 (27/4/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.40	4.39	4.41	4.47	4.46	4.93				
●Earning Yld %(full)	6.31	6.30	6.32	6.41	6.40	8.84				
●P/E Ratio(Net)(☆)	19.91	19.97	19.88	19.63	19.67	13.92				
SEAQ Bargns 5.00pm	29,278	32,415	40,076	37,254	35,229	25,410				
Equity Turnover(£m)†	-	981.9	1332.9	1422.3	1571.0	781.84				
Equity Bargains†	-	35,920	44,367	45,023	46,374	25,683				
Shares Traded (ml)†	-	*430.3*	*530.7*	*579.9*	*613.3*	*362.1*				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.57

Ordinary Share Index, Hourly changes — Day's High 2072.6 — Day's Low 2049.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2072.6	2058.3	2052.8	2050.0	2055.3	2055.8	2055.0	2057.5	2060.0

FT-SE 100, Hourly changes — Day's High 2659.5 — Day's Low 2635.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2659.5	2647.0	2640.7	2638.3	2643.2	2643.8	2643.0	2644.5	2648.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1220.48 — Day's Low 1215.52

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1219.33	1218.75	1218.62	1219.20	1218.99	1217.72	1218.36

GILT EDGED ACTIVITY

Indices*	Apr 27	Apr 24
Gilt Edged Bargains	84.2	91.6
5 – Day average	94.5	100.2

*SE Activity 1974.
†Excluding intra-market *business and Overseas turnover.*

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	3	485	+2	Comm. Union	548	463	-5	Lucas	2,400	140	-3	Shell Transport	3,400	474	+3
ASDA Group	21,000	26½	-1	Cookson	1,100	193		MB Caradon	1,500	308	-5	Siebe	339	704	+4
Abbey National	4,800	306	-2	Courtaulds	882	588	-4	MEPC	2,300	339	-4	Slough Ests	101	178	-6
Albert Fisher	2,300	69	-1	Dalgety	198	418	+12	Manweb	591	383	-2	Smith (W.H.) A	404	485	-5
Allied-Lyons	1,300	645	-10	De La Rue	516	684	-1	Marks & Spencer	8,700	340	-7	Smith & Nephew	1,800	152½	-1½
Amstrad	419	34		Dixons	1,100	267	-6	Midland Bank	27,000	394	+13	SmKl Beecham	1,800	869	+16
Anglian Water	1,000	410	+1	ECC Group	2,500	[illegible]	-6	Midlands Elec.	547	301	+3	SmKl Beecham Uts.	171	3840	+47
Argos	3,100	297	-9	Eastern Elect.	1,000	279	+3	NFC	94	292		Smiths Inds	1,500	310	+1
Argyll Group	5,400	392	-6	East Midland Elect.	541	290	-1	NatWest Bank	2,300	338	-1	Southern Elect.	697	299	-3
Arjo Wiggins	1,400	280	-10	Enterprise Oil	711	420	+7	National Power	1,500	221	+3	South Wales Elect.	387	391	
Ass. Brit. Foods	271	431	+4	Eurotunnel Units	12,000	350	-4	Next	1,300	86	+1½	South West Water	359	416	+8
[illegible]															
British Telecom	8,800	344	-4	Kwik Save	347	584	-8	Royal Insurance	707	208	-5	Wellcome	812	1029	+14
Br. Telecom New	6,600	124	-4½	Ladbroke	1,800	234	-3	Saatchi	8,700	17¼	+1¼	Welsh Water	431	455	+3
Bunzl	7,400	168	+2	Land Securities	1,800	428	-3	Sainsbury	3,300	433	-8	Wessex Water	380	480	+8
Burmah Castrol	7,000	802	+5	Laporte	909	644	+3	Scottish & New	680	476	+2	Whitbread 'A'	1,400	444	-4
Burton	1,800	47	-3½	Legal & General	1,300	378	-4	Scot. Hydro-Elect.	1,400	178½		Williams Hldgs	787	348	
Cable & Wire.	3,000	883	-3	Lloyds Abbey	4,300	423	-16	Scottish Power	3,300	174	-½	Willis Corroon	137	289	-1
Cadbury Schweppes	361	454	+1	Lloyds Bank	3,900	417	-10	Sears	2,200	109	-3	Wimpey	437	182	-3
Calor Group	989	397	+8	*LASMO*	4,300	289	+11	Sedgwick	294	221		Wolseley	731	451	-4
Carlton Comms.	1,400	620	-18	London Elect.	888	315	+1	Seeboard	707	319	-1	Yorkshire Elect.	1,100	386	+2
Coats Viyella	1,100	282	-4	Lonrho	2,700	91	+3	Severn Trent Water	361	379	-1	Yorkshire Water	327	444	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in stock index futures improved on the recent meagre levels, although there was little in the way of strong features to help traders deal, writes Joel Kibazo.

A quiet trading start in the *June FT-SE* contract soon gave way to large selling, reported to have been led by BZW, which sent the contract falling from its opening level of 2,682 to 2,666 by mid-morning.

A good bout of two-way business followed, until the opening of Wall Street, when June followed the US market lower. However, it recovered *shortly after, with a small* squeeze seen just before the market closed.

June ended at 2,680, down 10 on Monday's close and a point below its estimated fair value premium to cash of about 18. Turnover was favourable at 7,276 lots.

On the London traded options market, the brisk trade in Midland Bank, which may soon be the subject of a bid from Lloyds Bank, contrib*uted substantially to the* day's total turnover of 35,961. The FT-SE 100 option had a total of 14,190 contracts transacted.

Among stock options, Midland recorded a day's total of 7,158 lots. This was followed by Marks and Spencer at 1,748, and British Steel at 1,430.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (240).
BRITISH FUNDS (1) Ex. 3pc Gas '90-95, OTHER FIXED INTEREST (4) Ins-Am. Dev., 12½pc 2003, Leeds 13½pc 2006, Manchester 11½pc 2007, *Met. Wtr. 3pc B*, AMERICANS (1) Tenneco, BANKS (4) Midland, Ryl. Bank Scot., Stand. Chart., TSB, BREWERS & DISTS. (1) [illegible], BLDG MATERIALS (11) BMSS, Breedon, Hepworth, Heywood Wllms., Do. Cv. Pf., [illegible], Meyer, [illegible]

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Apr 28 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Apr 27 Index No.	Fri Apr 24 Index No.	Thu Apr 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	884.49	....	7.01	5.26	18.56	14.30	884.48	881.56	870.45	842.71
2 Building Materials (22)	1104.75	-0.8	5.62	5.36	25.01	18.61	1114.19	1117.99	1095.66	1083.88
3 Contracting, Construction (28)	1017.94	-0.1	6.06	5.94	25.68	22.00	1019.05	1020.04	1012.59	1308.01
4 Electricals (8)	2640.06	-0.2	7.01	5.59	18.54	68.82	2644.50	2707.71	2640.38	2345.10
5 *Electronics (29)*	1929.53	+0.5	9.35	4.40	13.56	4.21	1919.95	1912.32	1890.35	1799.15
6 Engineering-Aerospace (7)	391.99	+0.2	8.95	6.63	14.17	10.89	391.08	386.25	385.00	442.05
7 Engineering-General (44)	533.30	+0.3	7.87	4.42	15.75	7.37	531.79	528.25	522.67	449.08
8 Metals and Metal Forming (8)	357.83	+0.3	1.31	9.68	-	0.32	356.70	356.30	354.08	460.68
9 Motors (14)	360.58	-0.6	7.41	6.52	17.74	9.96	362.80	362.72	356.03	346.91
10 Other Industrial Materials (19)	1790.43	+0.3	6.95	4.63	17.32	33.24	1785.74	1770.89	1751.71	1512.83
21 CONSUMER GROUP (188)	1707.41	-0.3	7.04	3.33	17.40	14.22	1713.22	1705.15	1684.74	1449.59
22 Brewers and Distillers (24)	2170.78	-0.4	7.44	3.35	16.18	16.80	2180.40	2171.55	2115.93	1796.12
25 Food Manufacturing (17)	1283.64	-0.1	8.39	4.09	14.76	17.10	1284.53	1287.52	1281.72	1176.49
26 Food Retailing (18)	2850.70	-0.9	8.06	3.03	16.12	18.63	2875.87	2905.46	2876.64	2714.73
27 *Health and Household (24)*	4104.49	+0.8	6.72	2.58	16.95	30.61	4070.80	4024.28	4009.23	3231.20
29 Hotels and Leisure (20)	1405.32	-1.1	6.08	4.86	21.25	23.10	1420.70	1419.19	1408.95	1338.96
30 Media (25)	1629.05	-0.3	5.93	3.37	20.99	17.30	1634.21	1620.89	1604.60	1448.79
31 Packaging, Paper & Printing (17)	839.30	-0.9	6.33	3.94	18.58	10.45	847.05	838.16	821.19	662.95
34 Stores (33)	1118.83	-1.5	6.57	3.24	20.22	2.69	1135.66	1125.45	1105.34	918.88
35 Textiles (10)	732.77	-0.6	6.48	4.23	19.43	3.32	737.48	735.97	738.92	526.33
40 OTHER GROUPS (116)	1301.02	-0.3	9.30	4.99	13.54	13.84	1305.15	1300.56	1287.50	1208.04
41 *Business Services (17)*	1420.74	-0.5	6.94	4.45	18.45	13.18	1428.28	1412.70	1403.31	1213.39
42 Chemicals (22)	1600.10	-0.2	6.49	4.55	18.85	24.16	1602.53	1591.75	1577.17	1271.73
43 Conglomerates (11)	1444.36	-0.5	9.74	6.97	12.57	9.34	1451.88	1441.63	1429.42	1563.09
44 Transport (14)	2559.49	-0.4	4.97	4.44	27.08	30.47	2569.52	2572.94	2577.41	2174.74
45 Electricity (16)	1270.45	+0.6	13.83	5.12	9.43	17.21	1263.08	1266.75	1256.15	1165.10
46 Telephone Networks (4)	1423.41	-1.2	11.01	4.40	11.86	16.02	1441.06	1433.79	1411.82	1439.41
47 Water (10)	2748.04	+0.2	15.52	5.79	7.10	0.00	2741.22	2747.09	2741.35	2405.33
48 *Miscellaneous (22)*	2035.18	+0.4	5.99	4.84	21.80	20.93	2027.53	2021.76	1983.47	1859.81
49 INDUSTRIAL GROUP (483)	1374.15	-0.3	7.74	4.21	16.15	14.44	1377.85	1372.24	1356.48	1227.06
51 Oil & Gas (17)	2111.17	+0.7	7.22	6.73	18.23	53.06	2096.16	2072.11	2062.02	2421.04
59 500 SHARE INDEX (500)	1444.55	-0.2	7.69	4.47	16.34	17.34	1447.00	1440.02	1424.44	1327.96
61 FINANCIAL GROUP (87)	753.38	-0.8	-	6.01	-	16.40	759.54	751.46	738.13	813.15
62 Banks (9)	960.79	-0.7	4.92	5.68	32.30	22.89	967.37	956.69	932.66	901.71
65 Insurance (Life) (6)	1481.02	-1.4	-	6.01	-	44.26	1502.04	1474.35	1469.92	1510.56
66 Insurance (Composite) (7)	504.46	-1.7	-	6.90	-	13.46	513.09	506.24	499.50	678.69
67 Insurance (Brokers) (10)	984.55	-0.1	7.83	6.81	16.86	20.48	985.37	976.56	954.75	1140.83
68 *Merchant Banks (7)*	509.78	+0.2	-	4.07	-	4.25	509.00	497.67	491.73	424.10
69 Property (33)	700.76	-0.9	7.75	6.48	18.05	6.50	706.83	710.17	699.16	997.86
70 Other Financial (15)	252.23	+0.6	6.89	6.85	19.89	3.12	250.71	248.78	248.37	288.61
71 Investment Trusts (70)	1221.38	-0.1	-	3.67	-	11.14	1223.15	1221.32	1220.21	1208.22
99 ALL-SHARE INDEX (657)	1279.58	-0.2	-	4.63	-	16.72	1282.70	1275.75	1261.24	1202.75

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 27	Apr 24	Apr 23	Apr 22	Apr 21	Year ago
FT-SE 100 SHARE INDEX♠	2651.0	-7.2	2659.0	2635.6	2658.2	2643.0	2609.8	2607.8	2625.8	2486.2

FIXED INTEREST

PRICE INDICES	Tue Apr 28	Day's change %	Mon Apr 27	Accrued Interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (27)	122.12	+0.04	122.07	1.76	4.28
2 5-15 years (25)	137.36	-0.03	137.40	1.47	5.45
3 Over 15 years (9)	149.97	-0.04	150.04	3.01	2.78
4 Irredeemables (6)	163.16	+0.02	163.12	-0.10	6.11
5 All stocks (67)	135.24	....	135.25	1.76	4.85
Index-Linked					
6 Up to 5 years (2)	169.12	....	169.11	0.30	1.83
7 Over 5 years (9)	145.94	+0.02	145.90	0.69	1.64
8 *All stocks (11)*	148.00	+0.02	147.97	0.63	1.65
9 Debs & Loans (62)	119.46	+0.12	119.32	2.03	4.09

AVERAGE GROSS REDEMPTION YIELDS		Tue Apr 28	Mon Apr 27	Year ago (approx.)
British Government				
1 Low	5 years	8.36	8.37	9.25
2 Coupons	15 years	9.04	9.03	9.70
3 (0%-7¾%)	20 years	9.04	9.03	9.82
4 Medium	5 years	9.32	9.32	10.29
5 Coupons	15 years	9.09	9.08	10.13
6 (8%-10¾%)	20 years	9.05	9.04	10.08
7 High	5 years	9.55	9.55	10.44
8 Coupons	15 years	9.20	9.19	10.32
9 (11%-)	20 years	9.14	9.13	10.27
10 Irredeemables		9.25	9.25	10.04
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.03	4.02	3.83
12 Inflation rate 5%	Over 5 yrs.	4.53	4.53	4.14
13 Inflation rate 10%	Up to 5 yrs.	3.32	3.31	2.97
14 Inflation rate 10%	Over 5 yrs.	4.35	4.35	3.95
15 Debs &	5 years	10.68	10.69	11.87
16 Loans	15 years	10.48	10.49	11.64
17	25 years	10.34	10.35	11.43

♠Opening index 2659.5; 9 am 2647.0; 10 am 2640.7; 11 am 2638.3; Noon 2643.2; 1 pm 2643.8; 2 pm 2643.0; 2.30 pm 2641.4; 3 pm 2644.5; 4.10 pm 2653.3; (a) 8.30am (b) 10.28am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
3pc 1992		98[illegible]	—	98[illegible]	97[illegible]	[illegible]	7.70
Exch 12¼pc 1992		100[illegible]	—	101¼	100[illegible]	12.17	10.06
13½pc 1992		101⅛	—	102¼	101⅛	13.35	10.05
Treas 8¼pc 1993		98	—	98	97[illegible]	8.35	9.59
10pc 1993		100¼	—	100½	98[illegible]	9.98	9.71
12½pc 1993		103⅛	—	103[illegible]	101[illegible]	12.15	9.79
Funding 6pc 1993		96⅛	—	96[illegible]	95⅛	6.22	9.62
Treas 13¼pc 1993		106[illegible]xd	—	106[illegible]	104¼	12.59	9.67
8½pc 1994		98⅛	—	98[illegible]	96¼	[illegible]	9.33
14½pc 1994		107[illegible]	—	108⅛	106[illegible]	13.48	9.62
Exch 13½pc 1994		107	—	107[illegible]	105⅛	12.62	9.68
Treas. 10pc Ln. 1994		100[illegible]	—	101⅛	98[illegible]	9.91	9.47
Exch 12½pc 1994		105[illegible]	—	106⅛	103[illegible]	11.88	9.55
Treas 9pc 1994		99⅛xd	+⅛	99⅛	96⅝	9.07	9.36
12pc 1995		105⅞	+⅛	106⅝	103⅛	11.33	9.48
Exch 3pc Gas 90-95		89½xd	+⅛	89½	86¼	3.37	6.54
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		105[illegible]xd	-⅛	106[illegible]	101⅝	[illegible]	9.31
Conversion 10¼pc 1999		104⅝xd	-⅛	105½	100⅝	9.77	9.32
9pc 2000		98⅛	-⅛	99[illegible]	94¼	9.09	9.15
Treas 13pc 2000		119[illegible]	-⅛	120⅛	114[illegible]	10.86	9.50
10pc 2001		104⅛	-⅛	105[illegible]	99[illegible]	9.56	9.21
14pc '98-01		119⅝xd	-⅛	120[illegible]	115[illegible]	11.70	9.84
9¾pc 2002		103⅛	—	104⅛	98¼	9.40	9.17
9¾p 2002 C		103[illegible]	—	104[illegible]	98[illegible]	9.77	10.00
10pc 2003		105[illegible]	-⅛	106[illegible]	100[illegible]	9.46	9.18
10pc 2003 B		[illegible]	-⅛	[illegible]	[illegible]	10.00	9.14
Treas 11½pc 2001-04		112⅛	-⅛	113⅛	107⅛	10.26	9.42
Funding 3½pc '99-04		84¼	-⅛	84[illegible]	80¼	[illegible]	8.20
Conversion 9½pc 2004		102[illegible]xd	-⅛	103½	98[illegible]	[illegible]	9.13
9½pc 2005		102⅞	-⅛	103[illegible]	98[illegible]	[illegible]	9.11
Treas 12½pc 2003-05		123⅛xd	—	123[illegible]	116⅛	10.15	9.21
8pc 2002-06		91⅛	-⅛	91[illegible]	85½	8.76	9.12
Over Fifteen Years							
[illegible]							

BRITISH FUNDS - Cont.

Index-Linked	Notes (b)	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	134[illegible]xd	—	124[illegible]	122[illegible]	2.82	4.19
2pc '96	(67.9)	179[illegible]	—	181[illegible]	176¼	3.42	4.04
2½pc '01	(78.3)	144[illegible]	—	147¼	143	4.15	4.49
2½pc '03	(78.8)	139[illegible]xd	—	142[illegible]	138[illegible]	4.27	4.55
2pc '06	(69.5)	148[illegible]	—	144	139[illegible]	[illegible]	[illegible]
2½pc '09	(78.8)	127[illegible]xd	+⅛	131½	126[illegible]	4.38	4.58
2½pc '11	(74.6)	131[illegible]	—	135[illegible]	129[illegible]	4.38	4.56
2½pc '13	(89.2)	107[illegible]	—	111[illegible]	106[illegible]	4.37	4.54
2½pc '16	(81.6)	114[illegible]	—	118[illegible]	112¾	4.34	4.52
2½pc '20	(83.0)	109[illegible]	+⅛	113¼	107[illegible]	4.34	4.49
2½pc '24	(97.7)	91	+⅛	94¼	88[illegible]	4.31	4.45

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945 RPI for August 1991: 134.1 and for March 1992: 136.7.

OTHER FIXED INTEREST

[illegible]

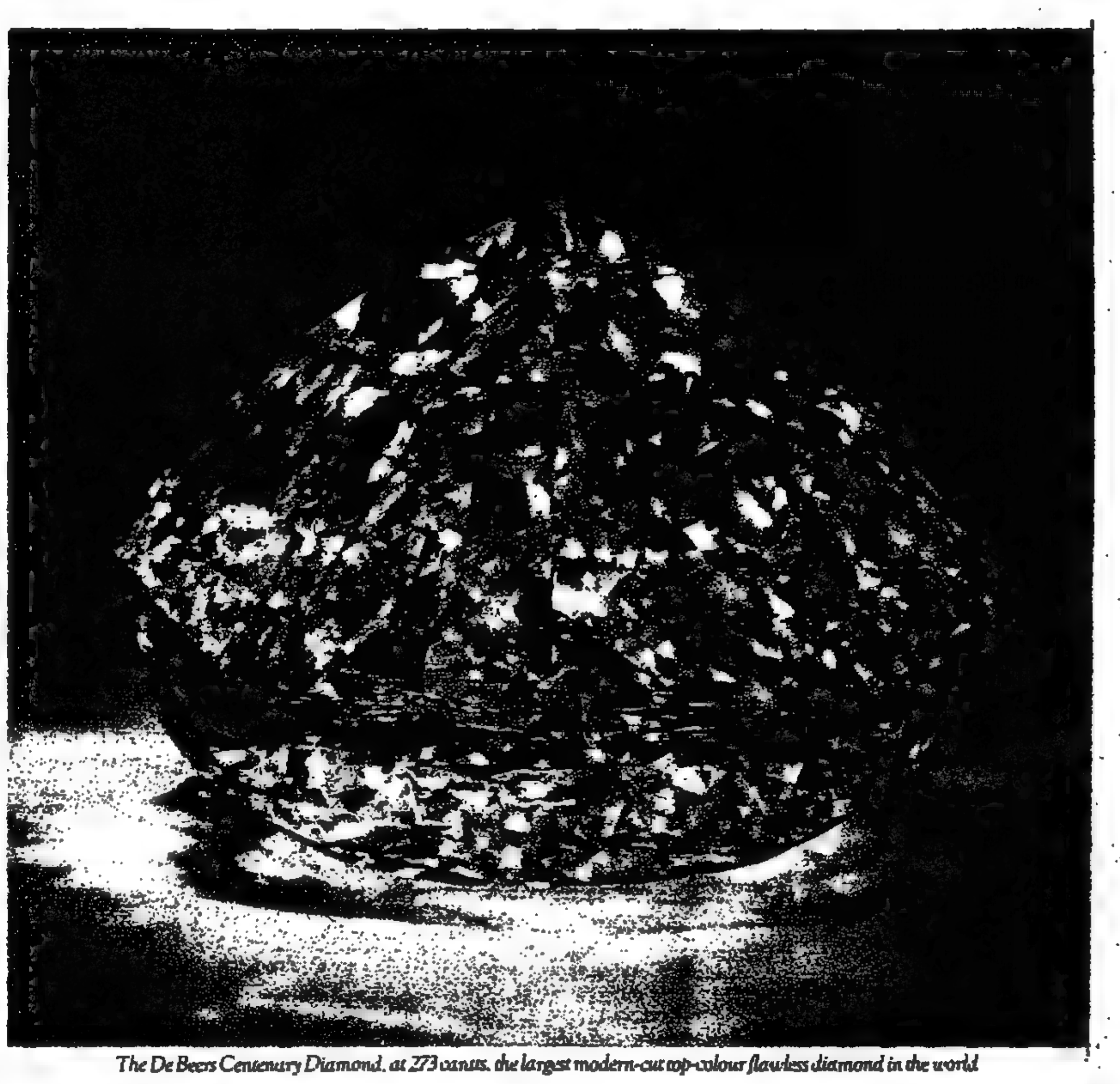
Strength, size and diversity—the many facets of De Beers

Six points from Julian Ogilvie Thompson's Chairman's Statement for 1991

Outlook

Sales of rough diamonds and the combined profits of De Beers/Centenary have held up well in difficult economic conditions — a tribute to the strength and diversity of the Group and its ability to fulfil its traditional role: stabilising the diamond market for producers and the trade in troubled times. When the world economy resumes a reasonable rate of growth the diamond business can be confident of renewed prosperity.

The diamond cutting centres are soundly financed, their stocks are not high and sales of diamond jewellery remain satisfactory. In yen, retail sales of diamond jewellery in Japan were unchanged and this translated into an increase in dollar terms. World sales, therefore, matched the record set in 1990. To sustain retail sales we have increased our annual expenditure on advertising and promotion to US$164 million.



The De Beers Centenary Diamond, at 273 carats, the largest modern-cut top-colour flawless diamond in the world

Group earnings

Combined attributable earnings declined by 20 per cent in US dollars to $763 million — a significantly better outcome than many other natural resources companies — and equity accounted earnings fell by 18 per cent to $1,078 million. Total dividends per linked unit were 112.1 US cents compared with 111.3 US cents in 1990.

Producers' support

Major diamond producers have confirmed their commitment to centralised marketing through the Central Selling Organisation (CSO). De Beers Centenary's important sales contract with the former USSR has been taken over by Rossalmazzoloto of the Russian Federation and continues to operate satisfactorily. Further proof of the close relations between De Beers Centenary and the Russian Federation's diamond producers was provided in March this year when Sakha (Yakutia) signed an exclusive contract with the CSO. During 1991 the CSO also renewed its contracts with other major producers, Botswana and Australia.

Mining

The US$400 million Venetia project is now scheduled to achieve full capacity by the end of 1993. With output of 5.9 million carats a year the Venetia mine should make a major contribution to De Beers Consolidated's production and profits. Debswana's mines produced 16.5 million carats last year and a feasibility study on increasing tonnage throughput from Jwaneng by a third is nearing completion. In Namibia, CDM's on-shore production rose to more than 1 million carats, contributing higher profits to De Beers Centenary and higher revenue to the Namibian Government. The extra carats flowed from the new Auchas mine on the Orange River and the new Elizabeth Bay mine at Lüderitz. A further 171,000 carats were recovered off-shore by Debmarine on behalf of CDM.

Other investments

The De Beers/Centenary Group's financial strength derived in part from its expanding non-diamond investments: in Neusiedler AG, the Austrian paper manufacturer, as well as in Anglo American Industrial Corporation and in Highveld Steel. The latter flowed largely from the acquisition of Middelburg Steel & Alloys and is a prelude to the development of the Columbus stainless steel project, which will present a major investment opportunity.

South Africa

We were heartened by the remarkable success of the National Party-Democratic Party alliance in achieving a resounding "yes" vote in the referendum on the continuation of reform. A more challenging task lies ahead — how to agree a new constitution that will strike the delicate balance between legitimacy and efficiency, equity and prosperity. A dialogue is just beginning between business, unions, political parties and government on how to achieve an effective market-driven economic system. There is, however, as yet too little emphasis on the encouragement of investment, individual effort and enterprise. South Africa is, nevertheless, benefitting from its re-integration into the world — in sport, culture, trade, technology and finance — and the outlook is more optimistic than for many a decade.

The full Chairman's Statement is available with the Annual Reports of the two Companies for the year ended 31st December 1991, which have been posted to registered shareholders. Copies may be obtained by writing to the London address below.

De Beers Consolidated Mines Ltd **De Beers Centenary AG**

De Beers Consolidated Mines Limited (Incorporated in the Republic of South Africa), London Office, 40 Holborn Viaduct, London EC1P 1AJ.
De Beers Centenary AG (Incorporated under the laws of Switzerland), Head Office, Langensandstrasse 27, CH-6000 Lucerne 14, Switzerland.

Island life suits the assurers: Page 2

FINANCIAL TIMES SURVEY

THE ISLE OF MAN

Prospective tax exiles should be sure to heed the three-year rule: Page 3

Wednesday April 29 1992

The island enjoys political stability; fund management is growing fast, fuelled by generous tax breaks; banking and insurance already have a sure hold. Yet some people resent the growing power of the EC, writes **John Authers**, while others fear that a mainland government committed to cutting income tax may reduce the island's attractiveness to UK citizens. Tourism is seen as a possible area for expansion, though it might create only temporary jobs.

A thriving outpost few want to leave

TIMES MAY be hard in the rest of the British isles, but in the Isle of Man, the Celtic outpost of the Irish Sea, business is booming.

One of the prime reasons will be familiar to anybody *who watched the UK election* campaign – personal taxation.

Mr Donald Gelling, the Manx finance minister, presented his budget earlier this month, and the tax rates he announced would certainly have been enough to win the UK election.

The basic rate of income tax is 15 per cent, with a top rate of 20 per cent. Tax relief at the top rate is available on all loans from Manx lenders – that includes credit cards as well as mortgages – and personal allowances before tax is payable stand at £6,000 for those who are single, and £12,000 for married couples. A family unit can earn £28,000 before incurring tax at the top rate of 20 per cent.

No wonder so many businessmen who go to the island never want to leave.

The UK election may have removed the possibility of higher tax rates, which would automatically have increased the attractions of investing offshore; but Labour had been keen to attack the island's tax privileges, so the Manx business community was not distraught.

Financial services continue to grow, and unemployment, while it has risen slightly to around 1,200, is still at a level *which any UK politician would* describe as "full employment".

Leaps forward in the regulation of the financial services sector, since the establishment of the Financial Supervision Commission in 1983, have triggered a fast expansion in the island's financial services industry. It was the first offshore jurisdiction to win designated status under the UK's Financial Services Act of 1988, which effectively recognised that the Manx offered the same degree of investor protection as the British.

Fund management is growing *fast* on the *island*, fuelled by generous tax breaks announced last year, and *operative since the beginning* of this month. Banking and insurance already have a sure hold.

Political stability is profound, as the Tynwald, the Manx parliament, sails serenely into its second millennium. It is the longest continuous parliament in the world. Overcrowding is not a problem, and shows no signs of becoming one – the island's 70,000 population is roughly equal to that of Jersey, but spread over an area six times as large. It is also well *educated, providing a valuable* pool of labour.

But not everything in the garden is lovely. The budget also announced a slight deficit this year, and Mr Gelling provided a £4m "kick start" for the industrial sector. And there are broader causes for concern.

Ugly sentiments have been stirred up by a confrontation with the European Community. The Tynwald has never got round to legalising homosexuality, to which many of the islanders, who tend to have a very traditionalist moral outlook, object strongly. But *the island is a party to the* convention of the European Court of Human Rights, which *upholds gay rights.*

Many who had no quarrel with gay rights objected to new laws being *forced* on the island by the European Court.

Attempts by the political leadership to pass legislation allowing homosexuality between consenting adults therefore led to passionate rows in the Tynwald, physical threats against those who led the drive for reform, and some deeply reactionary letters to local newspapers.

Following a majority of two in the House of Keys, the Tynwald's equivalent of the Commons, reform now seems certain to reach the statute book without a constitutional showdown. But islanders have been greatly embarrassed by some of the coverage of the incident which appeared in UK tabloids.

There is also cause for concern on the commercial front.

Mr Colin Coates, a partner with Touche Ross, made some *heretical comments in a* presentation to the island's business community immediately after the budget. The reaction to his arguments was divided, but he seemed to prove that the island cannot yet afford to rest on its laurels. In particular, the growing power of Europe could pose a threat.

This is what Mr Coates had to say: "Close to home, we have a Tory Government committed to reducing income tax, to limiting the impact of inheritance tax, and to allow the creators of wealth to retain a greater portion of that wealth. *This* must reduce the fiscal attractiveness of the island to UK-based individuals.

"The extent to which the European Community is a market for our financial and professional services is debatable. Offshore centres within the EC, and more are entering the fray, have considerable marketing advantages, as evidenced by UK groups establishing in Luxembourg rather than the Isle of Man and Channel Islands. It does not appear that EC tax harmonisation is going to affect these centres for the foreseeable future."

Mr Michael Gates, corporate development officer for the island, rejects this argument *more or less in its entirety.* He points out that the current advantages flowing to Luxembourg and Dublin within the EC cannot last forever, while Manx legislation has ensured that the island's funds need not miss out on the opportunities for cross-border marketing of mutual funds.

Meanwhile, the UK's current massive borrowing requirement should be enough to ensure that a hefty tax differential is maintained, according to Mr Gates.

Should the UK opt to raise VAT, the differentials could be widened. The island has to levy VAT at the same rate as the mainland, so this would provide an increase in the government's income, allowing further *cuts* in personal taxes.

So Mr Coates' final suggestion is for renewed investment in an unfashionable area – tourism. He said: "If Tory policy succeeds, a growing number of people *in the UK will* enjoy higher levels of disposable income. The island is on their doorstep. It is a beautiful island with incredible potential to market its historical sites and its recreational facilities. Every weekend the island should be crawling with tourists taking two- or three-day breaks. When it gets to the point when we start to complain about the tourists, that is when the industry will be a success."

There is some force in this argument, and Mr Miles Walker, the chief minister, is keen to expand the island's tourist industry. Take away the financial services sector, and the island looks more like Cornwall than Jersey or Guernsey.

Wild, starkly beautiful Celtic *countryside leads to dramatic* cliffs and long beaches. The island's bizarre climate means *that palm trees grow in* relative profusion.

The population has been deprived of its old mining industry – just like the Cornish – while its fisheries and agriculture have contracted. Meanwhile, it clings to a Celtic heritage, including the remnants of a native language.

Some businessmen enthused to Mr Coates' ideas, saying the Isle of Man should be known as "activity island".

But the suspicion remains *that* jobs in tourism would be temporary. The terrace of Edwardian guesthouses in *Douglas, which currently* services the influx of visitors for the annual TT motor-cycle races, would have difficulty accommodating a large tourist trade, and heavy investment in infrastructure would be necessary first.

Mr Gates is keener to look for other areas of development. He points to the "ball park" figures of the island's success – employment in the financial sector has trebled in 10 years, despite computers, bank deposits on the island total £9.5bn, and the number of captive insurers has increased from three to 117 since 1981.

His interests now are to encourage more fund managers to come to the island, *and to persuade* executives to use it as a base for international holding companies. A review of company taxation was announced in the budget, while the maximum registration fee for a company wishing to capitalise itself on the island was slashed from £50,000 to £5,000.

The Manx are adamant that Europe is not a threat – indeed, *they are hunting new* business in the Far East and in North America. Their role model now is not Jersey, Guernsey, or even Luxembourg. It is Bermuda.

According to Mr Gelling, the Isle of Man could play the same role for Europe which Bermuda does for the US: "The island expects that it will become one of the key 'gateways' for funds flowing into the EC's major financial centres from the Far East, North America and elsewhere."

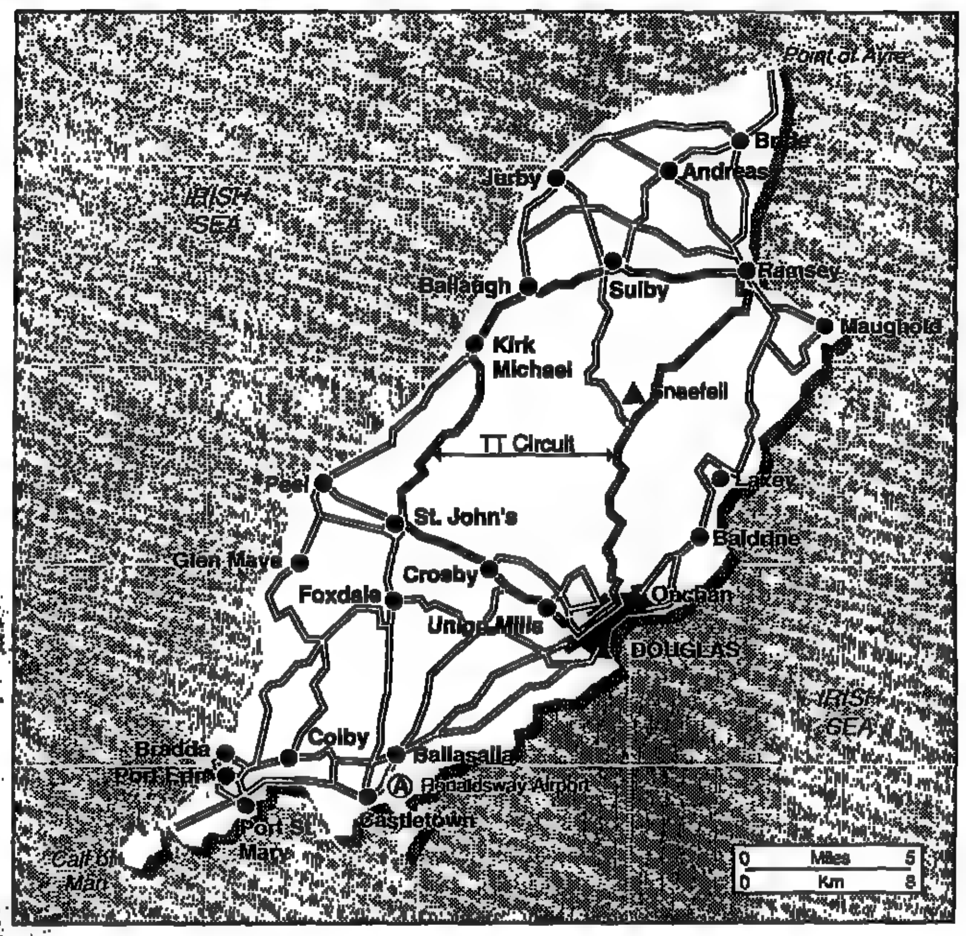
The problems *raised by* Touche Ross remain to be confronted, but the island cannot be faulted in the determination of its attempt to establish itself in this key world role.

Retail prices at mid-January: percentage changes over . . .

	*Index	1 month	3 months	6 months	1 year
All items	360.3	0.2	0.4	-1.3	5.7
All items, excluding food	355.9	0.1	0.0	1.2	5.5
Food	375.6	0.0	2.5	2.1	6.9
Alcoholic drink	414.7	1.2	0.0	2.1	11.3
Tobacco	619.5	0.0	2.5	3.0	16.5
Housing	391.2	-0.2	-0.2	-0.2	0.2
Fuel and light	316.7	-0.1	0.0	2.8	-8.7
Durable household goods	334.9	-0.9	0.7	1.3	7.8
Clothing and footwear	222.4	0.7	0.7	2.1	6.3
Transport and vehicles	345.0	-0.8	-1.8	-0.9	5.5
Miscellaneous goods	354.9	-0.1	0.3	2.2	6.4
Services	355.3	1.5	1.4	3.6	9.9
Meals out	379.1	0.0	-0.7	0.6	11.8

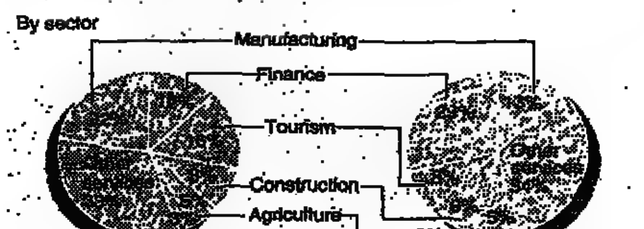
*March 1976: index = 100. Source: Economic Affairs Division

Two familiar landmarks in Douglas, the Manx capital: the harbour waterfront, and the legislative building



National income

By sector



Source: Economic Affairs Division, Treasury

Investment

More life companies enjoy tax benefits

THE MANX investment industry, once regarded as a disreputable dwelling for dubious dealers, received the stamp of royal approval last week.

Clerical Medical International, one of the most successful life assurance groups to have started on the island in the last decade, won a Queen's Award for Export Achievement.

Mr Miles Walker, the chief minister, was delighted by the news, but added: "It not only reflects their business acumen but also endorses the status which the Isle of Man has earned and continues to earn as a growing worldwide financial services centre." This assessment is not over-stated.

Life assurance has been a particular success for the island, as life company subsidiaries have taken advantage of tax privileges introduced to encourage captive insurance companies. Insurers which do no business on the island are exempt from tax.

Last year, Hafnia Prolific International, a subsidiary of the Danish life group, became the latest to establish itself in Douglas.

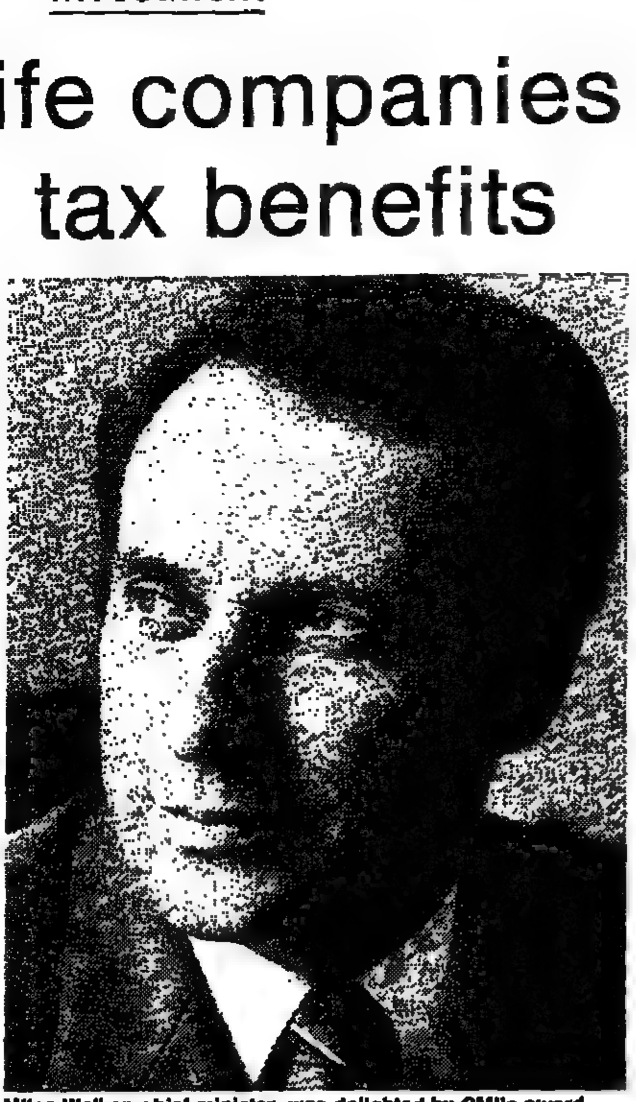
By the end of its first year HPI had £50m in funds under management, a figure which has since grown to around £80m. It now employs more than 20 people and is set to move to a new office, although the merger of Hafnia with Skandia, whose subsidiary Royal Skandia is also based on the island, may put a long-term question mark over its future.

The island's space for expansion has also helped. For example, Royal Life International, the largest and longest established Manx life insurer, has moved its 170 employees into a spacious new building on the southern tip of the island – a marked improvement on the five offices the company used touse. Royal Skandia's new office, in a renovated church which forms one of Douglas' most distinctive landmarks, would also make most City-dwellers green with envy.

Marketing has been the key to the expansion of CMI, and of Royal Life International. They no longer concentrate on the UK expatriate market, but instead look for "international investors". CMI now has more than 60 outlets around the world. The tax position of the island allows high net worth individuals, even if resident in their own country, to benefit, and marketeers are finally learning to exploit this.

Hong Kong accounts for 25 per cent fo CMI's business and 35 per cent of RLI's, and both are exploiting new markets in South America, the Gulf, and Africa.

Allied Dunbar, which manages $177m on the island for 7,000 clients, is also revamping its sales practices, with the creation of a new post in charge of international marketing.



Miles Walker, chief minister, was delighted by CMI's award

New concessions for non-life linked funds could be vital for the life groups. The government wants fund management to provide an appropriate "third leg" to their financial services industry, joining banking and insurance.

The tax incentives introduced last year to bring in fund managers amount almost to personal bribes. From April 6 this year, managers of Isle of Man collective investment schemes have paid a concessionary 5 per cent rate of income tax. This incentive will last at least until 2005.

Earlier this month Pierson Heldring & Pierson, a subsidiary of ABN Amro Bank, set up a fund administration subsidiary on the island, and cited tax concessions as the main reason for its decision – music to the government's ears.

The island also offers an attractive regulatory framework for managers wanting to start innovative funds. The options are as follows:

■ Authorised schemes are designed to be directly comparable to UK authorised unit trusts. This puts broad limits on the types of securities which can be held, but allows Manx trusts, with their tax advantages, to be marketed on the same basis as UK unit trusts.

In December last year, the Japan Securities Dealers Association in Tokyo announced that these schemes were eligible for sale to Japanese investors. Mr Donald Gelling, treasury minister, called this "a further boost to our efforts to develop the Island as the major 'Offshore Europe' funds location of the 1990s".

■ Restricted schemes are described by Mr Christopher Edmonds, collective investments supervisor, as "second tier" funds for offer to sophisticated private investors. Examples would include managed futures and options funds, or derivatives funds which offer a "guarantee".

These cannot be marketed with the same freedom as a unit trust, but they could provide many firms with attractive options for their private clients. There are now 68 such schemes, and regulators are hoping for a swift expansion.

■ Exempted restricted schemes are essentially private, and of appeal only to professional investors such as pension funds. The maximum number of participants is 50, and these schemes may not be offered to the general public.

But the Manx authorities hope they will help to funnel more funds in the island's direction – for example, Mr Edmonds suggests that pension funds could spread risk by collaborating on offshore derivatives funds using this vehicle.

■ Closed-end schemes, similar to UK-based investment trusts, are also allowed, as are limited partnerships. Since they are not regarded as collective investment schemes, but as companies, they are not subject to strict regulation.

Judging by progress so far, it seems that the Isle of Man's third financial leg is alive and kicking.

John Authers

Regulation: BCCI put the new scheme to an early test

Depositors spot a snag

IN THE centre of Douglas, a statue of Queen Victoria looks down disapprovingly on the local branch of the Bank of Credit and Commerce International.

The island's regulators know how she feels. BCCI cannot be said to reflect too badly on the Isle of Man, given the number of jurisdictions which allowed the bank's fraudsters free rein.

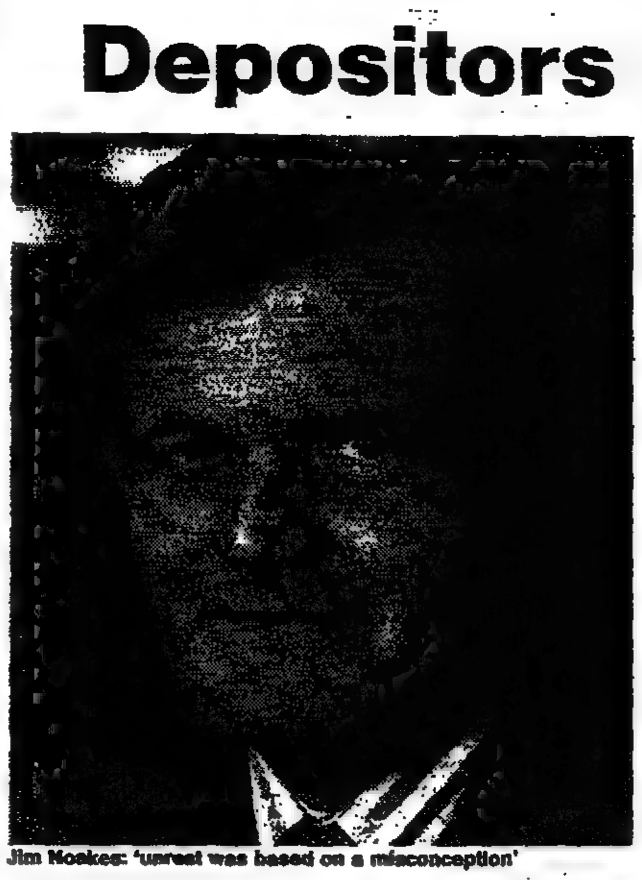
But BCCI did put the island's new deposit protection scheme to an unwelcome early test.

The Manx scheme was started by the Financial Supervision Commission in February last year. Deposits are protected up to 75 per cent of the first £20,000 held, offering an effective maximum of £15,000, and this also extends to the sterling equivalent in foreign currency deposits. The island was justifiably proud that this offered exactly the same protection as is offered under the UK's Banking Act.

Then came the BCCI shutdown. The Manx branch had approximately £90m on deposit, and 5,000 depositors.

It at least gave the new consumer-protection regime an opportunity to show itself in action. But this month, depositors spotted a problem and started to complain.

Mr Jim Noakes, chief executive of the Financial Supervision Commission, explains: "There certainly has been unrest, but that's based on a misconception. The regulations of the scheme require that, before the scheme manager can pay compensation to anybody, that person must permit the scheme manager to stand in his shoes, as far as his rights in the liquidation and any other rights are concerned. The depositor is not forced to have compensation if he doesn't want it."



Jim Noakes: 'unrest was based on a misconception'

In the Isle of Man, the depositor's rights need to be assigned – in the UK, according to Mr Noakes, there is no choice.

He adds that the FSC is only standing in depositors' shoes until it retrieves as much money as it has already paid to depositors. If it manages to retrieve any more, this will go in full to depositors.

The issue aroused depositors' ire, because a scheme proposed by the government of Abu Dhabi would compensate depositors for 10 per cent of amounts held on deposit. Those with £150,000 or more would therefore do better under this than under the Manx scheme – hence their annoyance.

Mr Noakes has taken the dispute philosophically. The issue is still relatively minor, when set against the advances the island's regulators have continued to make in the last year. They are keen to stamp out any criminal elements, but regulators are also at the forefront of the Isle of Man's attempt to become a front-line financial centre.

The other big development of the last year has come through the Financial Business Act, which aims, according to Mr Noakes, to broaden the scope of regulation to affect the wider running of the system, rather than just investor compensation. This includes investment professionals, such as lawyers and accountants, and also intermediaries such as stockbrokers and futures and options dealers.

The FSC recognised it had a problem of resources in finding the expertise to regulate these specialist areas. Normally, this problem is overcome by adopting strict licensing criteria before allowing companies to trade, and therefore reducing the need for close supervision.

However, the FSC was determined not to stop specialist intermediaries and professionals from coming to the island. Its solution could be very attractive for overseas investors – negotiations are now in train with UK self-regulatory organisations and representative professional bodies to set up what Mr Noakes calls "mutual assistance arrangements".

This offers up the possibility of combining Manx taxes with protection from such bodies as the English Law Society, the Securities and Futures Authority and the Institute of Chartered Accountants.

He says: "We are very hopeful, and we've had very positive responses from all of them."

Meanwhile, he says professional consultants on the island recognise that the only other option – for the FSC to employ a specialist – would be much more expensive.

This reveals an odd aspect of regulation on the Isle of Man. It is vital that the regulators show their teeth, and use them to bite into any wrongdoing. The island could not withstand another embarrassment on the scale of the Savings and Investments Bank collapse.

But they are also working to expand the industry.

Mr Christopher Edmonds, supervisor of collective investment schemes for the FSC, makes this explicit when talking about the island's innovative "restrictive scheme" fund management regulations. "I think we've got the balance right between providing a measure of regulation whilst at the same time providing the flexibility for the operators we've allowed into the marketplace to develop and innovate the kind of products which their customers are demanding."

The current success of Manx financial services suggests Mr Edmonds is correct – the regulators have found the right balance.

John Authers

Captive insurance

'Potential for expansion'

"The traditional marketplace for insurance is in turmoil. Lloyd's is under severe pressure; some providers are withdrawing from the marketplace; reinsurance capacity is under strain – if not withdrawn – and in some lines of business prices are on an upward spiral. The rapidity of such environmental change verges on the unprecedented, yet in its face the marketplace for the captive, in satisfying a niche insurance need, has been upwardly mobile."

THIS ASSESSMENT comes from Dr Bill Hastings, the Isle of Man's insurance supervisor.

Manx-based captive insurance companies continue to increase in numbers, currently 117, and Dr Hastings and the industry feel there is much potential for further expansion.

A captive is a wholly-owned subsidiary that ensures some or all of its parent's risks. It may be administered by its own staff or by a captive management company.

Captive insurance companies are recognised as being a more economically efficient method of insuring corporate risks, and generally produce better risk management within the parent. By placing them offshore, the company also benefits from a low-tax regime.

The parent eliminates brokerage commission and can raise cover on some risks that are difficult to place in the normal market.

"Management is increasingly aware of the economic benefits that such a subsidiary brings to bear upon its organisation," said Dr Hastings. "Closer lines of communication and a richer identification by management with what is a rightful management tool can only enhance the control of risk and thereby wealth.

"Beneficial awareness by management, the increasing pervasiveness of risk and the failure of traditional market places to satisfy niche needs mean that the demand by parents to form such insurers from traditional areas such as the UK will continue – and worldwide."

The island was particularly pleased last year to welcome the first captive to come out of the former USSR. This was the Northern Shipping Insurance Company. Its parent is the Northern Shipping Company of Archangel, which has a fleet of about 130 ships.

This captive will provide hull and machinery insurance for Northern. Previously, the Soviet ministry of merchant marine met the cost of damage or loss to the companies' ships. But the changes in that part of the world meant that shipping companies had to look elsewhere for cover.

The captive is managed by Isle of Man Insurance Management; and Mr Peter Vick, a director, regarded it as an exciting development which opened up possibilities for further business from that part of the world.

Within a few months, a second captive from the former USSR, Baltic Shipping, was formed under management by Isle of Man Insurance. A third, Azov, is expected shortly.

There are 27 managers in the Isle of Man, including major companies, such as Sedgwick, Willis Coroon, Alexander and Bowring. Managers feel there are still many UK companies that could form captives, but also expect the continental Europeans to begin to recognise the advantage of having their own insurance company. The experience and expertise exists within the island's financial services community to handle more captives than are currently registered there.

The diversity of financial services available in the island add to its attraction as a location for captives. All the ancillary needs of a company can be met there.

"There can be no doubt, worldwide awareness is on an upward surge," said Dr Hastings. "Significant maturing of attitude is to be found in many foreign jurisdictions; demand is on the increase, and in response we find many more potential offshore jurisdictions entering the arena.

"The danger in such growth, of course, is one of dilution, and it is for this very reason that the Isle of Man will seek not only to retain its forward position but also to set the trend."

Sue Stuart

Agriculture

Europe requires change

THE ISLAND's agricultural sector is being hit hard by the single European market. Many technical changes are demanded of an industry which consists largely of small farms run by some of the last bastions of Manx tradition.

The island is not part of the EC, but is linked to it through being a Crown dependency of the UK. It makes no financial contribution to Europe and receives no financial aid from it. But the special relationship allows the island to market agricultural products in the EC.

At least half of the island's produce is exported to the UK; the rest supplies the home market. In order to retain its ability to export, the island must comply with EC regulations on production and processing of food.

There are 800 producers in the Isle of Man – 80 per cent with holdings of less than 200 acres. Only 77 have more than 300 acres out of the total 117,000 acres farmed. Together with processing, the industry provides employment for about 1,500 people.

Many farms are passed from father to son and have remained traditional mixed farms – sheep, cattle, dairy cows, grain and roots for fodder, potatoes and poultry. Fields are small, some only four acres, and bound by ancient dry stone walls.

Farming methods on the smaller units are traditional. Crop rotation has always been practised: dung from the cattle is spread on the land, and the abundance of wildlife in the hedgerows reflects the minimal use of chemicals.

In 1934, Manx farmers set up marketing associations. These consist of representatives from the farming community and professional administrators. There is only one slaughter-house licenced. This is owned by the Manx government and rented and operated by the Fatstock Marketing Association. There is also a government-owned creamery, rented and operated by the Milk Marketing Association.

Initially, farmers were pleased to get out of the open market in the island, where prices were being depressed by rings of buyers. But with production costs increasing – not least because of freight costs

Continued on next page

Sue Stuart on the changing role of professionals

The big firms dig in

EXPANSION OF the island's financial services sector and its markets has resulted in major changes in working practices for Manx-based professionals, particularly accountants and lawyers.

In only a few years, the range of work has increased dramatically and now includes a large proportion of international and complex matters.

*For the island-based accoun*tant or lawyer, this has meant choosing which areas to cover and, in some cases, merging into larger practices that offer various disciplines. It is no longer possible for a small practice to offer all the services demanded by the island's increasingly international client base.

One of the biggest changes for accountancy in the Isle of Man over the past 10 years has been the arrival and development of the practices of six major international firms – *KPMG Peat Marwick, Ernst &* Young, Coopers & Lybrand, Pannell Kerr Forster, Price Waterhouse and Touche Ross. All now have a substantial presence.

Mr Peter Vanderpump, partner in *charge of the Manx* office of Touche Ross, said the move had been away from the core base of auditing accountancy. "The larger firms offer a *much wider range of services*, including consultancy, offshore companies and trusts, and international tax planning for both individuals and companies and liquidations," he said.

The firm is liquidator for the Manx branch off BCCI, and Mr Vanderpump said this involved a core team of three to four people full time. He feels the island has become better known by people outside, and that the firm has gained more recognition in the Isle of Man.

Touche Ross set up its Manx office in 1987 with 11 people. "Initially," said Mr Vanderpump, "everyone did some of everything. We are now 40 people in the office and have become a much more structured organisation, with each department having grown staggeringly."

> Although further growth is expected, Manx-based individuals and small businesses still need their audits, and some practitioners have stuck with this client base

If the island continued to sell itself as a leading offshore centre, he added, the next five years would see more growth.

However, Manx-based individuals and small businesses *still need their audits, and* some practitioners have opted to stick with this client base. One such accountant is Mr David Craine, a partner in the two-partner firm Browne Craine.

Local audits make up 80 per cent of his firm's work is. "We are a small local practice and want to remain so," he said.

But he has seen changes in his work over the years, and has found that there is much more compliance work to be done for local clients than a few years ago. "Laws and regulations are changing all the time, and we have to keep up to date."

His clients have also had to change in attitude: "Some of them we've had to drag into the 20th century."

Mr Craine's decision to service local auditing needs has not precluded the firm's involvement in business outside the Isle of Man. It is a member of Inpact, an association of small accountancy firms in 22 European countries. Inpact members provide assistance and referrals to each other.

The island's five lawyers face *the same change in demands*, and many smaller advocates' firms have merged. But Mr Alan Cough, of Cough & Co, chose to stay in sole practice and develop a specialisation in international litigation.

He began sole practice in the island in 1976, when he dealt with everything, from wills to boundary disputes. His first big international High Court case, *which lasted over two years*, was in 1979.

From around 1986, island advocates have had a steady flow of international work. "Since then the size, number and complexity of cases has doubled every year. I used to handle around 200 cases a year – now I personally deal with five or six, which can take years to conclude," he said. He has been involved in internationally known cases such as Barlow Clowes, Polly Peck and Rossminster. Mr Cough feels that his specialist approach has made his practice one of the busiest in the island.

*He has recently taken part*ners into the firm to assist with similar work, trusts, receiverships and fund business. Future expansion may involve taking on more advocates and solicitors.

Much of his firm's work is sorting out, through the courts, Manx trusts that were badly formed some years ago, and encompasses a fully international client base. He does not expect this work to decline *for some years*.

Mr John Crellin is senior partner in Cains, one of the island's largest and oldest law firms. "When I became senior partner 20 years ago, there were four partners and 20 staff. Now we have eight partners, seven solicitors and barristers and 70 staff," he said.

The firm began finance sector business in the mid-1960s. "Those were the buccaneering days, when there was little regulation in the Isle of Man." Mr Crellin recalls. Now, demands are far more stringent and the firm has within defined areas of specialisation within it. This *includes three partners and* one advocate who practice law purely for the finance sector.

Mr Crellin feels that the proportion of local business has dropped, but by specialisation Cains is able to serve both the *finance sector and its tradi*tional clients.

He said the Manx bar was small in the 1950s, but its expansion had resulted in a more *credible bar which is* more balanced in knowledge. Yet he believes that all the island's lawyers are going to have to specialise and individually to recognise their limitations in order to meet modern demands.

Continued from previous page

on all goods imported that are needed in agriculture – they feel restricted by the limitations of the marketing associations' abilities to market.

*In the UK, producers can spe*cialise and find a market for their products. The strip of water between the Isle of Man and the UK makes it far more difficult for a Manx producer to gain access to these markets at *economically viable prices*.

The smaller farmer is locked into the system. Both his income and expenditure are decreed by others. The downturn over the past 15 years has not left him with the financial *resources to institute any major* changes in his stock or methods. His best hope is to improve the quality of his produce to gain the maximum return available in his limited market.

Those who have kept abreast of technical *changes* are not finding EC compliance such a burden. By continually updating equipment and systems, they have assured themselves a reasonable income and future.

But these farmers are in the minority, and most find compliance an additional chore, on which they see no immediate return. Mr John Corrin, the Manx agricultural minister, said: "There *has* not been intensive farming in the island, and stock levels have not increased much over the years. The Manx farmer does not feel he has contributed to European overproduction, and he feels he has a *right to continue his traditional* farming system."

The Manx government resolved to support the island's farmers to a similar level as their EC counterparts are supported. "Though this does not necessarily *mean the same sup*port schemes as in the EC, in totality the result will be the same," said Mr Corrin. "However, we must be mindful not to

Spring on a Manx farm

give our farmers an advantage over those in the EC. "Though we have limitations in continu*ity of supply, because of small* production levels, if our produce is high quality in a limited range there is a market for it."

The government is negotiating to assist the marketing associations, which are criticised by the farmers for poor results. "It is in government's interests that the associations work effectively, so that farmers do not look to government to make up their shortfall," said Mr. Corrin.

Investment of £5m is also planned by the Manx government for a new meat plant. The island's existing abattoir and processing plant cannot be *altered to comply permanently* with EC requirements.

The proposed plant, which will be one of the smallest EC-complying plants in Britain, will be operational by 1994. With abattoirs closing through*out Britain, this is regarded as* a vote of confidence by the Manx government in its agricultural industry. But the government also knows that collapse of the industry *would* create a large unemployment problem in the island. It could also leave thousands of acres of untended land.

Sue Stuart

IN THE 1960s and early 1970s, it was not unusual to see very elderly people being wheeled in chairs or on stretchers down the Steam Packet gangway and on to Manx soil. Their private rooms were already booked in the local hospital, and they had come to the Isle of Man to die.

But they arrived with just enough *breath* in them to be rushed around by teams of lawyers, accountants and undertakers, standing by to settle their affairs the moment they got ashore.

These were the inheritance-tax exiles, who needed to prove that the Isle of Man was their domicile of choice before they expired.

Prior to changes in the law in the mid-1970s, this could all be done at the last moment. But the law changed, and now requires a minimum of three years' residence prior to death for the revenue to allow a place to become a person's domicile of choice. So moving to the Isle of Man to die has become a far more civilised affair.

Since the Isle of Man has no capital gains tax or inheritance tax, people move there to avoid these liabilities in the UK.

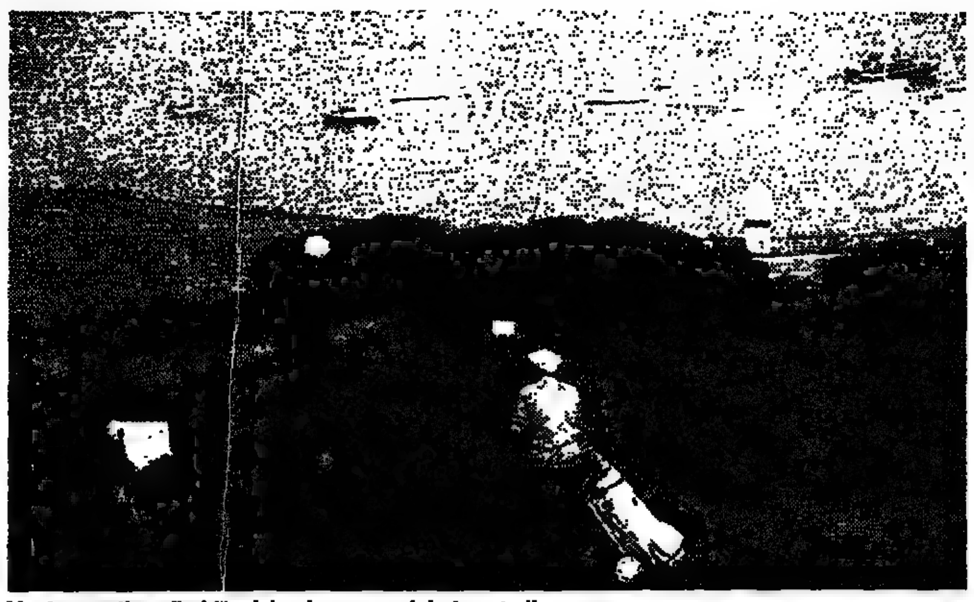
Mr Mark Solly, partner in the Manx office of accountancy firm Moore Stephens, said people considering such a move should, "get the best available advice and not be afraid to pay for it... Having got that, they *must still be prepared to make* their own decision – it is a very personal decision."

Such a move may mean giving up too much of their personal life, family, friends, interests – or spending much of the tax they would save in travelling to and from the island to continue pursuing these interests.

Mr Solly points out that

Tax exiles must heed the three-year rule

A full life if you can adjust



Most executives find the island a congenial place to live

those moving for capital gains tax reasons will need to stay in the island for two to three years. The prime time to move is just before April 5, to gain the whole of the following year as a non-UK resident for tax *purpose. This is likely to mean* beginning house-hunting in the island the previous autumn, and putting the UK home on the market. To persuade the *Inland Revenue that it is a gen*uine move, many doors must be closed in the UK, such as resigning from clubs and trusteeships. The Revenue must be satisfied that the centre of a person's life is in the Isle of Man.

For many men who make this move, island life can be quite full. "These men tend to be innovative, so they will get involved locally," said Mr Solly.

But for some of their wives it is dismal. Though the island has a little of everything, they miss the choice of good hotels, restaurants, shops, art and concerts.

However, others get so involved in the life of the Isle of Man, with its quiet, safety, beauty and temperate climate, that they stay on and make permanent homes there.

Expansion of the business sector has led to an influx of executives who have been transferred from another branch or changed companies to take up their Manx-based position. Most find the island a *delightful place to live, and* some refuse to be transferred back again at the end of theirs assigned term.

For those with children, the education system is good and the social environment safe. A building boom over the past few years has produced a good choice of houses, and many from the UK find property cheaper in the island.

Such people are also free to travel to the UK as often as *they wish, and so do not suffer* the feelings of deprivation experienced by some tax exiles.

With maximum income tax at 20 per cent, the island also attracts residents who are high earners, such as racing driver Nigel Mansell or multi-millionaire Albert Gubay. A number of authors, particularly Mills and Boon writers, choose the island for its low tax regime. But they live quietly and shun publicity.

People in this category have chosen the Isle of Man from a range of low-tax jurisdictions, so usually have few problems settling in. They also have enough money to do the things they want, both in and out of the island.

The 1991 census showed a population increase of 5,000 over the previous 10 years, to 71,000, most of whom had come to work.

The island's new residents "assist the economy in terms of their demand for services," said *Mr John Cashin, the Manx* treasurer. "But this is not only measured in cash terms. Were it not for this growth, the Manx population would not *enjoy the level of health* and education services it currently does."

But capital expenditure has been needed by the Manx government, to enlarge and update its infrastructure.

Mr Cashin explained that this include a large all-island sewage-disposal system, extension to the hospital and health service properties, housing, new *schools, development* at the harbour and airport, a new meat plant, and the construction of a new electricity generating station.

Sue Stuart

The island's status is not that of a flag of convenience. Its ships fly the red ensign

'Cost effective with a sound framework'

THE ISLE of Man's shipping register is more than 200 years old and is part of the greater British register.

Until 1984, it was used for registering local vessels based in the island's four harbours. Legislation enacted in 1984 saw the beginning of the register's expansion to take on vessels from other areas.

The register has 130 ships, compared with 76 in 1986. Unlike Liberia or Panama, which have 1,605 and 4,953 ships respectively, the Isle of Man's status is not that of a flag of convenience. The ships fly the red ensign.

Mr David North, minister of the Manx department of highways, ports and properties, said: "The Isle of Man is recog*nised as being highly reputable* and totally acceptable to shipping companies that want to be offshore but with the British flag. The island provides a cost-effective operation and has a good legislative frame*work with its own merchant* shipping acts."

The legislation enacted in 1984 established the Manx Marine Administration, with its own surveyors. This ensured that international con*ventions were complied with* by ships on the register. Ships qualifying as British must be owned or managed by an Isle of Man-registered company *that has its principal place of* business in the island.

The island also gained full Maritime Convention status, which means that internationally recognised agreements for seafarers also apply to the Isle of Man. Because of this, the Marine Administration can issue globally acceptable international certificates.

Fees charged by the adminis*tration cover registration, sur*vey and certification of ships. The government has set the fees to cover only the administrative costs involved. No additional registration tax or tonnage fee is charged.

"The register does not make

> Legislation in 1984 established the Manx Marine Administration, ensuring that international conventions were complied with

money for the island. But the Manx government is looking to economic spin-offs, such as employment locally and the use of financial services available in the island," said Mr *North. In the first 18 months* after enactment of the legislation, about 100 British-registered ships transferred to the Manx register. By 1988 there were 139, and since then the register has remained at about 130, with *some movements on* and off.

Approximately 80 of the ships are ocean-going cargo vessels or tankers. The balance are coastal ships, supply boats and tugs. The island also has a growing yacht register, which currently holds around 300 ves*sels, ranging from small yachts* to large, luxury ocean-going vessels.

All ships are inspected by the administration surveyors when they first go on the register, to ensure that they comply. Thereafter, inspection takes place at least once every five years, though for some it is several times a year.

Of 24 ship management com*panies based in the Isle of Man*, eight are deemed international.

"There are not the British companies left to transfer now," said Capt David Bruce, the Manx chief marine surveyor. "We have begun looking *beyond the UK to expand the* fleet base. The Manx register appeals to British operators, because we follow British regulations and require British senior officers. This may make expansion outside the UK *slightly difficult*."

Capt Bruce initially targets Europe for further growth, and observes: "Maybe the requirement for British senior officers will be replaced by a requirement for European officers."

In December, the island introduced legislation permitting "bareboat" charter of vessels. This allows companies to split the jurisdictions for ownership and operation of a vessel.

"This type of registration gives the ship-owner a flexible *and attractive package*," explained Capt Bruce.

Jurisdictions differ in their attractiveness, in considerations such as mortgaging facilities or manning requirements. The vessels must comply with all regulations for a

> Eighty of the ships are ocean-going cargo vessels or tankers. The rest are coastal ships, supply boats and tugs. The island also has a growing yacht register

Manx-registered vessel, except ownership requirements.

No ships have yet registered under this legislation, but Capt Bruce believes this will change shortly. "Once we have the *first couple of vessels, then the* other companies will see that it works."

Mr North sees the way forward as adoption of a package approach that will appeal to shipping companies. He hopes to see them use the Isle of Man for more of their activities, such as insurance, fund man*agement and other financial* operations.

"This will provide the shipping community in the island with a broader base and encourage expansion in the whole business community," he said. "We are looking this year to joint marketing of the island as a centre for shipping – jointly with the Manx Treasury, insurance authority and *Financial Supervision Commis*sion, as well as the island's private business sector."

This package deal will be marketed not only to potential Isle of Man clients, but also to companies with ships already *on the Manx register that cur*rently obtain these additional services elsewhere.

Mr North sees shipping as a highly competitive market, but feels that the island may be able to lure companies away *from places such as Bermuda*. "The Isle of Man has a lot to offer in terms of its regulatory authorities," he said.

Sue Stuart

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	35⅛xd	+⅛	38½	34	15,843	1.9
♥Allegheny & W	280p	—	306p	226p	135.1	6.5
Amdahl	917p	−12	1159p	815p	1,017	0.6
Amer Cyanamid	34¼	+½	37	32¼	3,194	2.7
Amer Express	12⅛xd	−⅛	13⅞	10½	5,843	4.6
Amer T & T	24½xd	—	24⅞	20¼	32,382	3.0
Ameritech	35⅛	+¼	36½	32½	15,488	5.6
BankAmerica	29⅞xd	−⅛	28⅞	19⅛	8,561	2.8
Bankers NY	32¾xd	+⅛	37¼	28⅞	2,699	8.4
Bell Atlantic	24⅝	—	26¼	23¼	9,684	5.9
BellSouth	27½	+¼	29½	25	13,384	5.0
♥Bethlehem Steel	7⅛xd	−⅛	9⅛	7	581.9	—
Bowater	1280pxd	—	1579p	1078p	459.8	5.3
CPC	24xc	—	25⅛	22⅛	3,828	2.8
California Engy	671p	—	833p	646p	122.2	—
Campbell Soup	19	+¼	23⅛	18⅞	4,776	2.3
Chase Manhattan	16⅛xd	+¼	15⅛	9⅛	2,126	4.5
Chrysler	10½xd	+⅛	11	6¼	3,069	3.2
Citicorp	10⅝xd	−⅛	11	5⅛	3,592	—
Colgate-Palm	28⅛xd	+⅛	28⅞	25¼	4,478	2.1
Cont'l Bank	988p	−26	1036p	499p	988.4	3.4
Dana	23½xd	—	24½	14⅞	984.1	3.8
Data General	487p	−12	1084p	487p	134.4	—
Dial	19⅞xd	−1	24⅛	18⅞	748.4	3.3
Dun & Brad	38½	−⅛	33½	28⅞	6,443	4.2
Eaton	43½	−½	48½	32½	1,492	2.8
Echlin	10⅞xd	−⅛	11	7⅛	561.9	3.9
FPL	19½xd	−⅛	19½	18⅛	3,316	6.9
Fluor	23⅛xd	−⅛	27	21	1,910	1.0
Ford Motor	24⅛xd	—	24⅞	15	11,569	2.3
Gen Elect	42⅞xd	—	46¼	40⅛	37,049	2.7
♥General Host	486p	+6	635p	360p	—	4.3
Gillette	26½xd	—	29⅞	26½	5,794	1.5
Hasbro	14⅞	+⅛	16	12⅛	1,257	0.5
Honeywell	40½xd	—	43	34½	2,258	2.3
Houston Inds	24½	−¼	24⅞	23	3,173	6.9
IBM	49¼xd	—	54½	46¼	28,483	5.5
Ingersoll-Rand	34⅛xd	−⅛	36⅛	28½	1,782	2.2
Lockheed	26	−⅛	28⅞	22⅝	1,031	4.3
Lowe's	2188p	−8	2478p	1631p	793.8	1.4
Merrill Lynch	26½xd	−⅛	39½	26½	[illegible]	2.1
Morgan (JP)	30⅝xd	−⅛	37½	29⅛	[illegible]	4.0
Morris (Philip)	43⅛xd	+⅛	45⅞	41⅛	40,[illegible]	2.7
NYNEX	42⅛	−⅛	44⅝	39⅝	8,544	6.2
♥Pac Agric	57p	—	67p	29p	—	—
Pall	15¼	−¼	17½	10⅛	1,337	1.3
Pennzoil	25¼xd	+⅛	30¼	25¼	[illegible]	6.6
Quaker Oats	28½xd	−⅛	40⅛	28½	2,182	3.3
Rockwell	13¼xd	+⅛	15½	13⅛	3,087	3.9
Rep NY	22¼	−⅛	26⅛	22⅛	1,167	2.6
Sears, Roebuck	24xd	−½	28	19⅛	8,258	4.7
Sthwestern Bell	36⅛	+⅛	38⅞	32½	10,681	4.6
Sun Co	15½xd	+⅛	16⅞	15⅛	1,691	[illegible]
Tenneco	25xd	+⅛	25	16½	3,106	3.6
Texaco	34¼xd	+⅛	35⅛	30½	8,983	5.2
Time Warner	58¼xd	−⅛	62½	48⅞	5,396	1.0
♥Unifab	440p	—	587p	440p	408.7	—
Utd Tech	30⅛xd	+⅛	31¼	27	3,884	3.4
♥UniTech	117p	—	122p	66p	—	—
♦URS Intl 1c	0⅛p	—	1⅛p	0⅛p	2.38	—
US West	20	—	21½	18⅞	4,198	6.0
Varity	774p	—	845p	632p	193.2	—
Waste Manage	22½xd	+⅛	25	20½	11,135	1.1
Whirlpool	2568xd	−05	2799p	2021p	1,765	2.4
♥Woolworth	18⅛	−⅛	18⅛	14⅛	2,103	3.8

CANADIANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy	[illegible]	—	2p	1¼p	—	—
Amer Barrick	1280p	−16	1842p	1280p	1,746	0.3
Bk Montreal	20⅛	−⅛	23¼	20	2,477	5.6
Bk Nova Scot	960p	−30	1178p	908p	1,837	5.2
♥BC Gas	779p	−23	879p	760p	—	4.2
BCE	20¼	−⅛	24½	20¼	6,280	7.6
♥Brascan	714p	−11	907p	714p	808.8	7.9
♥Breakwater	[illegible]	—	30p	6p	17.4	19.3
Can Imp Bk	[illegible]	−23	1810p	1250p	2,380	5.7

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

STORES

[illegible]

MINES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

[illegible] and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at fair value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock."
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶¶ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ♠ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend [illegible]
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures
r Dividend yield excludes a special payment.
t [illegible] yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price
F Yield based on prospectus or other offical estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1991.
K Yield based on prospectus or other offical estimates for 1992-93.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1991-92.
N Yield based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other offical estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	116.9	117.9	124.1	[illegible]	[illegible]
AIB Grofund Equity	5	182.3	184.6	195.3	[illegible]	[illegible]
AIB Grofund Euro	5	134.0	135.6	143.0	[illegible]	[illegible]
AIB Grofund Gilt	3	73.51	73.53	74.77	[illegible]	[illegible]
AIB Grofund Japan	5	104.9	106.1	111.7	[illegible]	[illegible]
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F						
5 Giltspur St London EC1A 9DE 071-236 6441						
Britannia Life Unit Managers Ltd (1200)H						
140 West George St, Glasgow G2 2PA 041-332 3132						
Confident Unit Tst Mngt Co Ltd (1200)F						
Co-op Pension Fds UT Mgrs Ltd (1000)F						
Cornhill Unit Trust Mngrs Ltd (1000)F						
Gartmore Fund Managers (1200)F						
Gartmore House, 16-18 Monument Street London EC3R 8AJ						
INVESCO MIM UT Mngrs Ltd - Contd.						
Kleinwort Benson Unit Trusts (1400)F						
10 Fenchurch Street London EC3						
Marlborough Fund Managers Ltd (1430)F						
Martin Currie Unit Trusts Ltd (0905)H						
Saltire Crt, 20 Castle Terrace, Edinburgh 031 479 4646						
Mercury Fund Managers Ltd (1000)H						
National Provident Inv Mgrs Ltd - Contd.						
Newton Fund Mngrs Ltd (1200)F						
Norwich Union Tst Managers (1200)H						
Save & Prosper Group (0900)H						
16-22 Western Rd, Romford RM1 3LB						

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271
American ♥	5	278.0	278.0	296.2	−0.7	0.77
(Accum Units) ♥	5	327.2	327.2	348.6	−0.9	0.77
British	5	837.4	854.3	903.9	−0.6	6.76
(Accum Units)	5	1404.3	1432.7	1515.8	−1.0	6.76
European	5	334.6	334.6	356.1	—	1.44
(Accum Units)	5	362.7	362.7	384.9	—	1.44
Japan	5	92.51	92.51	98.47	+0.36	—
(Accum Units)	5	93.25	93.25	99.20	+0.37	—
New Pacific	5	199.9	199.9	213.4	+1.1	1.64
(Accum Units)	5	205.3	205.3	219.2	+1.2	1.64
PEP Apr 22	5	156.9	158.6	167.8	—	3.66
Mngd Equity	5	128.7	130.2	137.7	−0.2	2.77
Mngd Equity Acc	5	136.6	138.1	146.1	−0.2	2.77
Mngd Cash	0	95.88	95.88	95.88	—	9.82
(Accum Units)	0	120.4	120.4	120.4	—	9.82
Majority Stg	1	99.97	99.97	100.97	+0.02	9.51
Majority Stg Acc	1	110.87	110.87	111.98	+0.03	9.51
Stortbrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300						Dealing: 0277 261010
International Mar 13	0	50.61	50.61	51.01	—	12.69
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham						0403 232323
Equity	6	632.8	632.8	676.8	−0.8	2.92
North America	6	83.38	83.38	89.18	+0.24	0.40
Far East	6	85.22	85.22	91.10	+0.80	0.76
W'wide Bond	6	47.01	47.01	50.01	+0.14	6.39
European	6	68.23	68.23	72.97	+0.29	1.61
Equity Income	6	70.35	70.35	75.24	−1.13	5.54
Portfolio	6	58.99	58.99	63.09	+0.18	2.51
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	—	2.23
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basing View, Basingstoke, Hants						0800 525725
American Growth	6	26.79	26.79	28.66	+0.11	0.54
Managed Assets	6	104.89	105.47	112.81	+0.05	3.37
UK Income	6	32.75	33.12	35.43	−0.09	4.31
UK Growth	6	32.78	33.04	35.34	−0.06	3.40
Worldwide Growth	6	23.89	23.89	25.56	+0.05	1.19
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						

	Bid Price	Offer Price	+ or −	Yield Gr's
M & G Securities Ltd				
Charibond Apr 27	106.71	—	+0.5	10.1
(Accum Units)	645.93	—	+5.0	10.1
NAACIF Apr 21	42.00	—	—	9.42
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Apr 28	139.0	149.0	+0.8	1.81
UK Small Co † Apr 28	532.0	598.2	+21.1	3.38
Fixed Interest † Apr 28	112.2	118.1	+0.1	8.47
US Small Co Apr 28	156.2	167.1	−6.4	0.00
Managed Apr 28	112.6	120.6	+1.8	3.57
Int'l Bond Apr 28	118.4	125.0	+0.5	10.27
Japan Apr 28	59.32	63.25	+0.7	4.64
European Apr 28	91.68	98.35	−0.1	1.72
Nth American Apr 28	113.4	122.1	−6.0	1.30
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Apr 29	55.12	57.35	−1.01	1.70
Euro Expt Apr 29	52.90	55.54	−0.47	2.46
Fixed Int. Ex Apr 29	48.46	49.66	+0.07	8.75
Japan Expt Apr 29	35.49	37.37	+0.39	0.88
Managed Ex Apr 23	46.35	48.21xd	—	4.03
SE Asia Expt Apr 29	78.13	82.04xd	+1.68	2.52
Sm Cos Expt Apr 29	37.39	39.26	+0.83	3.25
UK Eqty Ex Apr 29	44.89	47.13	+0.09	3.58
Phillips & Drew Fund Management Ltd				
Small Co's Mar 4	656.40	698.79	—	4.04
Do Accum	761.43	810.61	—	4.04
Int Expt Apr 23	185.55	189.34xd	—	1.67
UK Index Mar 4	1135.99	1156.06	—	4.53
Do Accum	1250.52	1273.91	—	4.53
Convertible Apr 27	98.25	101.34xd	—	7.99
World ex UK Index Apr 21	740.61	749.17	—	2.25
Do Accum	740.61	749.17	—	2.25
Japan Index Apr 21	425.31	431.80	—	0.98
Do Accum	427.0	433.51	—	0.98
USA Index Apr 21	1067.99	1074.7	—	3.02
Do Accum	1112.82	1120.25	—	3.02
Europe ex UK Index Apr 21	914.74	928.77	—	3.17
Do Accum	951.29	965.88	—	3.17
Pacific ex Japan Index Apr 21	1059.75	1088.14	—	3.48
Do Accum	1126.41	1156.61	—	3.48

	Bid Price	Offer Price	+ or −	Yield Gross
Henderson Administration(z)				
[illegible] Finsbury Ave, London, EC2 M2PA				071-638 5757
[illegible] Equity	322.5	343.1	+2.0	—
[illegible] Interest	66.6	70.4	−0.1	—
[illegible] America	261.8	278.6	−2.7	—
[illegible] East	347.9	370.2	+0.3	—
[illegible] Managed	330.7	351.9	—	—
[illegible]	205.7	217.1	—	—
[illegible] Res.	133.9	141.0	—	—
[illegible]	188.8	200.9	−0.9	—
[illegible] Funds				
[illegible] Equity	349.3	371.6	+4.7	—
[illegible] Interest	231.6	246.4	+2.4	—
[illegible] Sits.	262.3	279.1	+0.3	—

	Bid Price	Offer Price	+ or −	Yield Gross
Lifetime Assurance Co Ltd				
Bank Hse, St John's Rd, Harrow HA1 2EE				081-861 5990
Managed Security	112.8	118.8	+0.2	—
Managed Growth	125.7	132.4	+1.0	—
Managed Opportunity	112.5	117.4	−0.2	—
Property	114.7	120.8	+0.2	—
Fixed Interest	123.4	130.0	−0.3	—
Cash	115.1	121.2	+0.3	—
UK Equity	111.8	117.7	+2.6	—
Intl Equity	125.7	132.4	+1.5	—
Pension Funds				
Managed Security	114.8	120.9	+0.6	—
Managed Growth	119.9	126.3	+3.9	—
Managed Opportunity	105.6	111.2	+0.5	—

	Bid Price	Offer Price	+ or −	Yield Gross
NEL Britannia Assce Co Ltd				
Milton Court, Dorking, Surrey				0306 880077
Capital Growth	126.9	133.6	+0.6	—
Managed Income	113.6	119.6	+0.9	—
Cap Grwth Ser B	110.1	115.9	+0.4	—
Mngd Income Ser B	116.7	122.8	+0.9	—
Broker Managed				
PAM Global Growth Fd	117.5	117.5	−0.3	—
PAM Growth Fund	103.3	108.7	−0.1	—
Multichoice Investment Funds				
Managed Bldg Soc	127.1	133.8	—	—
Deposit	149.2	157.0	—	—
Managed Portfolio Funds				
Barings Mngd Life	95.2	100.2	+0.1	—

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensionmaster & Unit-Linked Pens				
Mixed Fund	456.8	480 8	[illegible]	-
Ordinary Share Fund	706 7	743 9	[illegible]	-
International Fund	166 4	175.2	-1 2	-
Property Fund	259 6	273.3	+0 4	-
Fixed Interest Fund	405 7	427 1	-1 3	-
Inter-Linked Sec Fund	189 4	199 4	[illegible]	-
Deposit Fund	280.5	295.3	+0 6	-
Norwich Units Apr 22	1116 59			-
*Prices as at April 21				
Jersey Investment Plan				
With Profits Fund	123 98	130.51	+0 03	-
Intl Equity Fund	92.12	96 97	-0.37	-
Intl Bond Fund	118.36	124.59	-0 13	-
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich, NR1 3NG 0603 683335				
Group Pooled Pensions				
Balanced Managed Fd	330.10	335 62	+1.72	-
Growth Managed Fd	110 07	112 02	+0 61	-
Sentinel Managed Fd	107 51	108 87	+0 44	-
Prices as at April 27				
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134 0	141 1	..	-
Property Acc. (Gross)	255.5	268 9	..	-
Equity (Gross)	908.1	955 9	-0 6	-
Managed (Gross)	628 8	[illegible]	+0.2	-
Property Acc (Net)	[illegible]	128 5	+0 1	-
Equity (Net)	[illegible]	220 8	-0 1	-
Managed (Net)	193.2	203 4	+0.1	-
International (Net)	[illegible]	175 4	+0.3	-
Gilt & Fixed Interest	138 7	146 0	+0.5	-
Money Fund	138.3	[illegible]	..	-
Mixed Fund (Cap)	119 8	126 2	..	-
Mixed Fund (Acc)	[illegible]	[illegible]	..	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	682 2	718 2	-1.0	-
Ret Man (Series 2)	231 4	243 6	-0 3	-
Ret Cash	194 0	204 2	[illegible]	-
Provident Mutual Life Assc. Assn.–Contd.				
Fixed Interest Ord	224 7	236.5	+0 3	-
Fixed Interest Init	164.9	173.6	+0.2	-
Deposit Ord	184 8	194 5	....	-
Deposit Init	135 6	142.7	.....	-
Pension Funds				
Managed Ord	467 7	492.3	-0 1	-
Managed Init	343 2	361.3	....	-
Equity Ord	730.6	769 1	-1 7	-
Equity Init	536 1	564 3	-1 4	-
Pen Ind Lkd Gilt Ord	179.5	188.9		-
Pen Ind Lkd Gilt Init	137.6	144.8		-
Overseas Equity Ord	306.4	322.5	+1.6	-
Overseas Equity Init	224.8	236.6	+1 1	-
Property Ord	279 9	294.6	...	-
Property Init	205 4	216 2		-
Fixed Interest Ord	285.0	300 0	+0 4	-
Fixed Interest Init	209 1	220 1	+0 3	-
Deposit Ord	264 3	278.2	[illegible]	-
Deposit Init	193 9	204 1	..	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Managed Mar 22	262.6	273 6	...	-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Discretionary Apr 22	£187 18	193 00		-
Equity Apr 22	£215.39	222 77		-
International Apr 22	£27 29	27 88		-
Intl Bond Apr 22	£14 55	14 74		-
Fixed Int Apr 22	£103 47	104 64		-
Index Linked Apr 22	£72.05	72.95		-
Property Apr 22	£108.88	[illegible]		-
Cash Apr 22	£30.2639	30.2639		-
Managed Apr 21	457.4	476 5		-
Cash Apr 21	278 2	289 8		-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Asset Global Funds Ltd (1200)				
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097				
European Equity ...5	14.099	14.099	15.07	
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
CMI Core Portfolio Fund				
UK ...5	£- 2.0583	1.2347		
USA ...5	£- 1.0592	1.1299		
Japan ...5	£- 0.4552	0.4805		
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth ...5¼	488.0	488.0	523.1	+2.8 0.9
PO Box 52 Athol St Douglas IoM 0624 661020				
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund ...5	105.0	105.0	112.1	6.9
Merc Intl Bond ...5	49.79	49.79	52.33	+0.01 8.5
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
23 Bucks Road, Douglas, IoM 0624 626484				

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (SG) Ltd
SG International ... $10.60 +0.01

Citibank (CI) Ltd "Citifunds"
Short term Investment Funds
Irish £ Apr 23 ... 117.075
Equity Funds
Japan Equity Apr 23 ... $6.990
US Em Hith Apr 27 ... $22.908
US Em Tech Apr 27 ... $19.258
Chicare Apr 27 ... $34.229
Bond Funds
GNMA Bond Apr 27 ... $14.780 14.807

EBC Trust Company (Jersey) Ltd
Income ... $15.16 15.625 -0.010
Capital ... $23.59 24.308 -0.020
*Offer price includes 3% prelim. charge

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd
Sterling American ... 52.442 2.570 -0.003

John Govett Management (Jersey) Ltd

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US indicators weaken dollar

THE DOLLAR had a day of mixed fortunes on foreign exchange markets yesterday after an uncertain set of indicators checked an initial surge of popularity in the US currency, *writes James Blitz.*

Traders had been hoping that the figures would fuel renewed confidence in the dollar after several days of uncertain trading. In the end, the broad range of indicators proved so wildly contradictory that the market was left in an aimless mood over how to respond to them.

Two of them were clearly positive. The important April consumer confidence measure, issued by the Conference Board, a US business group, leapt to 64.8 against forecasts of 55.1. The figure for first-quarter GDP matched market predictions, rising a solid 2 per cent after a modest 0.4 per cent increase in the fourth quarter of last year.

Analysts, however, said these results had already been factored into dollar trading. And figures for March new home sales, which plunged 14.8 per cent, had a depressing effect on the market. As a result, early interest in the US currency, which at midsession in London was trading at DM1.6600, was checked in the afternoon. It ended at DM1.6555. In London trading the dollar managed to reverse a slight slide against the yen, finishing at Y133.25 after a previous close of Y133.10.

In New York trading, the uncertain economic indicators were also a dampening influence on the dollar. After opening more firmly against both the D-Mark and yen, the US currency later slipped to close at DM1.6536 and Y133.15.

The D-Mark had a mostly uneventful day after the punishment it took in trading on Monday. The German currency is suffering in the wake of Germany's worst industrial unrest for 18 years, and two surprising resignations from the Bonn cabinet at the start of the week. Dealers said it had recovered some of its poise by the end of trading in Europe yesterday. In London, it resisted a renewed attack from sterling to end at DM2.9375, the same as its previous close.

The other important action of the day in European markets centred on the Swiss franc, which extended yesterday's late rally on newspaper reports that it might bid for European Community membership.

"The world, its wife, their children and the dog were short of Swiss francs," said one US bank trader cynically, "and they used the rehashed EC story as a good excuse to take profits." The Swiss franc ended the day 1.32 centimes stronger against the dollar at SFr1.5158, from SFr1.5290. It closed in New York at SFr1.5160.

Although it remained strong, sterling failed to fully break through the DM2.94 barrier in London trading, as profit-takers took their gains after the pound's successes on Monday.

£ IN NEW YORK

Apr 28	Close	Previous Close
£ Spot	1.7765-1.7775	1.7760-1.7770
1 month	0.95-0.93pm	0.97-0.96pm
3 months	2.81-2.78pm	2.79-2.76pm
12 months	9.00-8.90pm	9.00-8.90pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.691	-3.70	5.17	64
Portuguese Escudo	178.735	173.096	-3.15	4.58	52
Belgian Franc	42.4032	42.2594	-0.34	1.63	20
Dutch Guilder	2.31643	2.31170	-0.20	1.49	14
D-Mark	2.05586	2.05419	-0.08	1.37	10
Irish Punt	0.767417	0.769232	0.24	1.05	-7
Sterling	0.696904	0.698856	0.28	1.00	-7
Italian Lira	1538.24	1543.74	0.36	0.92	-14
French Franc	6.89509	6.90870	0.46	0.82	-21
Danish Krone	7.84195	7.94064	1.28	0.00	-58

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.22-5.16pm, 12 Month 8.95-8.85pm

CURRENCY MOVEMENTS

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 5⅝-5½ per cent; three years 6⅜-6¼ per cent; four years 6⅞-6¾ per cent; five years 7⅛-7 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Apr 28	£	$
Brazil	4131.20 - 4133.90	2328.10 - 2328.30
Finland	7.9675 - 7.9895	4.5070 - 4.5100
Greece	341.500 - 345.300	191.200 - 196.000
Hong Kong	13.7400 - 13.7535	7.7480 - 7.7510
Iran	2565.00*	1445.00*
Korea(Sth)	1372.45 - 1394.55	774.40 - 783.60
Kuwait	0.52425 - 0.52500	0.29520 - 0.29540
Luxembourg	60.40 - 60.50	34.00 - 34.10
Malaysia	4.4885 - 4.4995	2.5340 - 2.5360
Mexico	5359.00 - 5370.90	3079.00 - 3080.00
N Zealand	3.2935 - 3.2965	1.8575 - 1.8595
Saudi Ar.	6.6145 - 6.6610	3.7495 - 3.7505
Singapore	2.9315 - 2.9365	1.6535 - 1.6555
S Af (Cm)	5.0980 - 5.1100	2.8770 - 2.8790
S Af (Fn)	6.1140 - 6.2200	3.4495 - 3.5095
Taiwan	44.70 - 44.80	25.20 - 25.30
U.A.E.	6.4765 - 6.5536	3.6715 - 3.6735

*Floating rate Iran Official rate:£117.60 $66.80

EXCHANGE CROSS RATES

Apr 28	£	$	DM	Yen	F Fr.	S Fr.
£	1	1.775	2.937	236.5	9.910	2.692
$	0.563	1	1.655	133.2	5.583	1.517
DM	0.340	0.604	1	80.52	3.374	0.917
YEN	4.228	7.505	12.42	1000.	41.90	11.38
F Fr.	1.009	1.791	2.964	238.6	10.	2.716
S Fr.	0.371	0.659	1.091	87.85	3.681	1
H Fl.	0.302	0.537	0.888	71.51	2.997	0.814
Lira	0.453	0.804	1.330	107.1	4.486	1.219
C $	0.471	0.837	1.385	111.5	4.672	1.269
B Fr.	1.654	2.936	4.859	391.2	16.39	4.453
Pta	0.544	0.965	1.597	128.6	5.389	1.464
Ecu	0.699	1.241	2.054	165.4	6.930	1.883

Yen per 1,000: French Fr. per 10 Lira per 1,000: Belgian Fr. per 100 Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
105	-	2.88	-	-	0.18	-
106	-	-	-	0.04	0.36	-
107	0.73	-	-	0.15	0.43	-
108	0.20	0.86	-	0.62	1.07	-
109	0.03	0.49	-	-	-	-
110	-	0.25	0.57	2.43	-	-
Open Int	126,780	46,189	9,390	97,906	26,630	9,623

Estimated volume 37,473 Total Open Interest 316,498

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Crédit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10.5	● Robert Fleming & Co	10.5	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs	11	Royal Bk of Scotland	10.5
Bank of India	10.5	Girobank	10.5	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	● Guinness Mahon	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	TSB	10.5
Barclays Bank	10.5	Hampshire Trust Plc	13.5	Unibank plc	10.5
Benchmark Bank	11	Heritable & Gen Inv Bnk	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	C. Hoare & Co	10.5	Western Trust	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rate cut ruled out

IN SPITE of sterling's strong position against the D-Mark, the domestic money markets continued to ignore all suggestions of a reduction in British interest rates.

Instead, dealers kept Germany's political and economic difficulties at the forefront of their minds, believing that a lowering of rates there is a far-off prospect. A confident prediction by Mr John Major, the prime minister, that the British economy was on the road to recovery also dampened speculation of a rate cut. One analyst suggested yesterday that the comments implied that the government saw no need to stimulate a recovery at the moment.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

As a result, rates in the interbank market ended mostly unchanged. The 3-month interbank rate, an important indicator of future base rate, ended at around 10$\frac{11}{32}$-½ per cent, roughly the same as Monday's close of 10½-⅜. One-year money ended the day slightly cheaper at 10$\frac{5}{16}$-$\frac{3}{16}$ per cent, after a Monday close of 10⅜-¼ per cent.

Short sterling futures finished the day at figures mostly consistent with 10½ per cent base rates. After a day of trading in an 11-tick range, the June short sterling contract closed at around 89.74, having finished on Monday at 89.79. This suggests that the market believes that base rates three months from now will be at 10.26 per cent.

There was no hint in the discount market that rates were about to fall. Again, the Bank of England forecast a large shortage of around £950m. It later purchased £566m of bills, of which £10m were of Band-1 bank bills at 10⅜ per cent, and £6m were at the same rates in Band-2. In addition, £550m went into repurchase agreements to mature in equal amounts on May 11 and 12 at an interest rate of 10$\frac{7}{16}$ per cent.

The forecast was revised to a shortage of around £1bn before taking account of the early operations. The Bank purchased bills worth £77m, of which £27m were Band-2 bank bills at 10⅜ per cent and £50m were for resale to the market in equal amounts on May 11 and 12 at an interest rate of 10$\frac{7}{16}$ per cent. In the afternoon, the Bank purchased £24m of Band-2 bank bills at 10⅜ per cent. It provided late assistance of £305m.

German call money was quoted at 9.655 per cent after the Bundesbank injected emergency short-term funds into the market.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr 28) 3 months US dollars: bid 4, offer 4⅛; 6 months US Dollars: bid 4¼, offer 4⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

4pm

Prime rate	6½	Two month	3.59	Three year	5.91
Broker loan rate	6	Three month	3.69	Five year	6.87
Fed funds	3⅝	Six month	3.96	Seven year	7.21
Fed funds at intervention	-	One year	4.28	10-year	7.56
		Two year	5.41	30-year	8.06

Apr 28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.70-9.80	9.70-9.80	9.70-9.80	9.75
Paris	9$\frac{15}{16}$-10$\frac{1}{16}$	9⅞-10	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9.60
Zurich	7¼-8¼	8¾-9¼	-	8⅝-9	-	-
Amsterdam	9.10-9.25	9.32-9.38	-	9.34-9.42	-	-
Tokyo	4⅞-4$\frac{13}{16}$	4⅞-4$\frac{13}{16}$	-	4$\frac{13}{16}$-4¾	-	-
Milan	12¼-12½	12¼-12$\frac{7}{16}$	-	12¼-12⅜	-	-
Brussels	9⅜-9⅞	9½-9⅜	-	9⅜-9⅝	-	-
Dublin	10⅝-10¾	10½-10⅝	10½-10⅝	10⅝-10¾	10⅝-10⅞	-

LONDON MONEY RATES

Apr 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10⅝	10⅝	10⅝	10$\frac{7}{16}$	10⅜
Interbank Bid	6	10½	10½	10$\frac{7}{16}$	10⅜	10¼
Sterling CDs	-	-	10$\frac{7}{16}$	10⅜	10⅜	10¼
Local Authority Deps.	10$\frac{11}{16}$	10$\frac{9}{16}$	10⅝	10½	10$\frac{7}{16}$	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9¾	10$\frac{5}{16}$	-	-	-	-
Company Deposits	-	-	10$\frac{9}{16}$	10$\frac{9}{16}$	10$\frac{7}{16}$	10$\frac{5}{16}$
Finance House Deposits	-	-	10⅝	10½	10½	10⅜
Treasury Bills (Buy)	-	-	10¼	9⅞	9⅝	-
Bank Bills (Buy)	-	-	10$\frac{5}{32}$	10	9⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.85	3.93	4.08	4.60
SDR Linked Dep. Offer	-	-	6½	6⅝	6⅝	6¾
SDR Linked Dep Bid	-	-	6⅜	6½	6½	6⅝
ECU Linked Dep. Offer	-	-	9⅞	10$\frac{1}{16}$	10⅛	10⅛
ECU Linked Dep Bid	-	-	9¾	9$\frac{15}{16}$	10	10

Treasury Bills (sell), one-month 10⅛ per cent, three months 9¾ per cent, six months 9½ per cent; Bank Bills (sell) one-month 10⅛ per cent, three months 9$\frac{15}{16}$ per cent; Treasury Bills; Average tender rate of discount 9.8109 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31 1992. Agreed rates for period Apr.26, 1992 to May 25, 1992, Scheme I: 11.77 p.c., Schemes II & III: 11.84 p.c. Reference rate for period Feb 29, 1992 to March 31, 1992, Scheme IV&V: 10.643 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from April 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent, one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

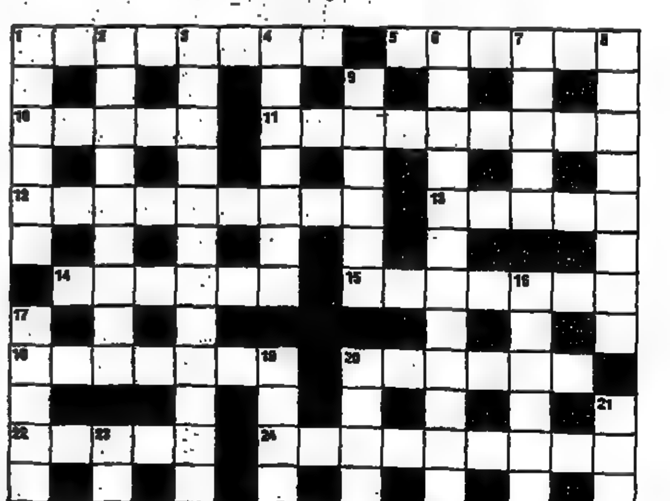
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,835 Set by CINEPHILE



ACROSS
1 Confidant often makes pottages (8)
5 Withdraw from last resting-place, in short, around railway (3,3)
10 Some moisture does for hives (5)
11 Tory apostle about to leave port? (4,5)
12 Loose second string on violin is dominant on older instrument (9)
13 Planet neither live nor neutral (5)
14 To kill selected bloodsucker, say, is religious (6)
15 Disloyalty to loveless cause (7)
18 Feat one can use to advantage (7)
20 China animal with fodder (6)
22 China tea for man-eating snake (5)
24 Garden structure led rabbit astray (4,5)
25 A Greek character on his own, in a funny sort of way (9)
26 Returning, on all-fours singularity, home (6)
27 Waugh the diarist? (6)
28 What the minister says is clever, otherwise you could answer it (8)

DOWN
1 Puritanical character in longer run dying out (6)
2 Actor takes floor with bottom of trunk (4,5)
3 No pair – Tory plot, I can reveal – is this fairness in voting? (15)
4 Confounded idiot in his own century, classically, is dull (7)
6 Theatre to bear a grudge? Save it, possibly, for elected members (15)
7 Sort of space beyond magpie? (5)
8 Remote object formerly current (8)
9 Prince by way of being in a fixed routine (6)
16 Disorderly chaos with limb broken (9)
17 A lot of words show a lot of bias in border (8)
19 Island also taking in prisoners? (6)
20 Scottish writer with sound from across the border (7)
21, 23 Cambridge home of both parts of Congress? (6,5)

Solution to Puzzle No.7,834

WORLD STOCK MARKETS

AUSTRIA

April 28	Sch.	+ or −
Austrian Airlines	2,400	+30
Creditanstalt Pf	509a	−3
EA General	3,495	+25
EVN	840	+2
Jungbunzlauer	14,000	+400
Delta	904	−1
Perlmooser Zement	1,650	
Radex Heraklith	562	+6
Reininghaus Brau	1,658	+8
Steyr Daimler	219	−1
Veitscher Magnesit	342	+1
Verbund (Br) A	521	
Wienerberger	4,475	−30
Z-Laenderbank	1,090	

FRANCE (continued)

April 28	Frs.	+ or −
Beghin-Say Cert Inv	485	+5
Bongrain	3,089	+159
Bouygues	649	+16
CGIP	1,272	+3
C M B Packaging	182.10	−3.90
Canal+	1,163	−9
Cap Gemini S	324.80	−2.70
Carrefour	2,549xd	−20
Casino	169	−1.50
Cetelem	810	+4
Chargeurs	1,168	+10
Club Mediterranee	541	+8
Cogifi	342	
Coparex	605	
CCF	187	+3.30

GERMANY (continued)

April 28	Dm.	+ or −
Continental AG	275.50	−2.50
DLW	580	
Daimler-Benz	781.50	−3.50
Deckel (Fr)	139.40	−0.60
Degussa	343.90	−1
Deutsche Babcock	168.50	−3.70
Deutsche Bank	711	−2
Didier-Werke	156.50	+4.50
Douglas Hldg	654.50	−7.50
Dragerwerk	314	
Dresdner Bk	354.80	+0.40
Fag Kugelfischer	261.80	+0.30
Gerresheimer	360.50	−3.50
Goldschmidt (TH)	820	−10
Hamborg Elekt	190	

NETHERLANDS

April 28	Fls.	+ or −
A B N Amro Holding	46.60	+0.10
ACF Hld Dep Recs	34	
AEGON	129.50	+0.60
Ahold	84.50	−0.70
AKZO	156.10	+1.50
AMEV Dep Recs	53	−0.30
Bols Lucas Dep Recs	47.90	−0.40
Buhrmann T Q DpRcs	63.80	−0.10
Bredero/Wessanen	46.30	−0.90
CSM Dep Recs	96.70	−1.20
DAF	24.10	
DSM	112.70xd	+1.50
Dordtsche Petr	141.30	+2
Elsevier Dep Recs	113.40xd	+1.80
Fokker Dep Recs	34.50	+0.50
Gamma	108.10	+2.10

SWEDEN (continued)

April 28	Kronor.	+ or −
Incentive B Free	179	−8
Mo Och Dom B Free	233	
Nobel Free	15.50	−2.50
Procordia B Free	188	
Sandvik B Free	395	
Skandia Free	120	−3
Skan Enskilda C	50	
SKF B Free	111	+1
Stora Kopp B	305	+2
SCA B Free	110	
Svka Handl. B Free	74	
Trelleborg B Free	125	
Volvo B Free	445	−1

CANADA

TORONTO

4:00 pm prices April 28

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
1500	Abitibi Pr	$14¾	14½	14½	
10900	AgnicoEa	450	435	440	
20500	Air Cda	$5⅞	d5⅝	5⅞	+⅛
15300	Alberta En	$10⅛	9⅞	10⅛	+⅛
4700	AlbNtGas	$13⅞	13⅝	13¾	
275800	Alcan Al	$25⅛	24⅞	24⅞	−⅛

MONTREAL

4:00 pm prices April 28

INDICES

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

Euro Top-100 (26/6/90) 947.28 949.12 943.09 943.24 | 949.12 (27/4) | 870.31 (2/1)

**Saturday April 25 Taiwan Weighted Price, 4441.57, Korea Comp Ex. 594 88 *Calculated at 15 00 GMT.
& Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISED Overall and DAX – 1,000, JSE Gold – 255 7, JSE 26 Industrials – 264 3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 28 April 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Morinaga Milk	10.4m	791	+20	Chiyoda Corp	3.1m	1,470	+50
Ishihara Sangyo	4.3m	336	−28	Minbea	2.8m	617	+4
Hitachi	4.3m	849		TEAC	2.7m	1,030	+10
NPN Steel Corp	4.2m	305	+2	Nippon Mining	2.6m	442	+16
Japan Storage	3.5m	930	+26	Kawasaki Steel	2.5m	298	−1

Price data supplied by Telekurs.

4:00 pm prices April 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¼	AAR Corp x	0.48	3.5	16	43	13¾	13⅝	13¾	-⅛
26	20⅝	A L Labs A	0.18	0.8	109	336	23½	23	23	
68⅛	56	AMP Inc x	1.52	2.5	24	620	59⅞	59½	59⅝	-¼
80¼	64½	AMR			33	64755	67⅛	66	67⅛	+1⅛
2⅜	1⅞	ARX			2	125	2	2	2	+⅛
53½	41	ASA	2.00	4.8	12	331	41⅝	41⅛	41⅛	-⅛
68⅛	58¼	Abbott Lab	1.20	1.9	24	4127	64	62½	63¾	+1¼
13⅞	12	Abitibi Pr	0.43	3.5	8	34	12⅜	12¼	12⅜	
11⅝	10⅛	ACM Gvt In	0.96	9.2		312	10½	10⅜	10⅜	
10⅜	9⅛	ACM GvOpp	0.80	8.5		286	9⅜	9¼	9⅜	+⅛
9½	8½	ACM Gvt Sp x	0.80	9.1		254	8¾	8⅝	8¾	
11¼	10⅛	ACM Gvt Se x	0.96	9.4		322	10⅜	10¼	10¼	-⅛
9⅜	8⅝	ACM Man	0.95	10.4		69	9⅛	9	9⅛	
12⅞	10⅞	ACM Manago	1.08	9.8		115	11	10¾	11	+⅛
11¼	7	Acme Cleve x	0.40	5.0	34	144	8⅛	8	8	-⅛
6¼	4½	Acme Elect			4	z100	5⅞	5⅞	5⅞	
33¼	18⅞	Acuson			12	335	20	19⅞	20	+⅛
19½	18⅛	Adams Expr	0.48	2.6	0	63	18⅝	18½	18½	
15½	13	Adobe12Pf	2.40	16.1		14	15	14⅞	14⅞	-⅛
5⅛	4½	Adobe Res			2	27	5¼	5⅛	5⅛	-⅛
49⅛	39	Ad Micro	3.00	7.5		46	40¼	40	40⅛	+⅛
21½	14⅞	Ad Micro P	3.00	19.4		67539	15⅞	15½	15½	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
[illegible]										
27	25¾	Yankee Egy	1.60	6.2	12	38	25¾	26	26	-⅛
1½	½	Zapata				281613	1⅛	1	1⅛	
11⅞	7	ZenithElec				31271	7⅛	d6¾	7	-⅛
17¾	14½	Zenith Nat x	1.00	6.2	7	122	16⅛	15⅞	16⅛	+⅛
6⅞	6	Zenix Inc x	0.85	12.6		77	u6⅞	6⅝	6¾	
13⅝	11¼	Zero Corp	0.40	3.4	18	311	11⅞	11⅝	11⅝	
38	32⅝	Zurn Ind	0.88	2.6	14	69	33⅝	33	33⅝	+⅛
14⅛	12⅝	Zweig Fund	1.16	9.0		135	13	12⅞	12⅞	
11	9⅞	Zweig Tott	1.00	9.7		586	10½	10⅜	10⅜	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices April 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Bowmar		22	10	2	2	2	+⅛
Bowne	0.25	13	801	14¼	14⅝	14⅝	+⅛
Brascan A x	1.04	35	15	12⅞	12⅞	12⅞	+⅛
BSN Corp	0.50	35	62	7½	7⅜	7½	+⅛
Cal Engy		17	1744	12⅝	12¼	12⅝	+⅛
Calprop		1	53	2⅞	2⅞	2⅞	
Carnvl A	0.52	14	2546	22⅞	22¼	22½	
Can Marc	0.24	12	13	12½	12⅜	12⅜	-⅛
Cambra A		8	4945	7⅛	d6½	6¾	-¼
Chambers		9	227	7⅛	d7	7⅛	-⅛
Forest La		29	394	32	31½	31¾	-¼
Frequency		7	12	4¼	d4⅛	4⅛	
Fr ofLoom		19	1656	35	34⅜	35	-1
FstAust	1.08		133	u9⅞	9⅝	9⅞	+⅛
Giant FdA	0.68	14	463	21⅞	21⅛	21¼	
Glatfltr	1.40	17	17	54⅝	54⅜	54⅜	-¼
Goldfield		2	80	½	7/16	7/16	
Greenman		7	75	5⅝	5⅝	5⅝	
GRI Corp		1	94	7/16	⅜	⅜	
Gulf Cda	0.35	11	614	6⅛	6	6⅛	+⅛
MSR Expl		1	15	7/16	⅜	7/16	+1/16
Nabors		12	456	6	5⅞	5⅞	-⅛
Nat Patnt		3	658	4⅛	3⅞	3⅞	-⅛
New Line		20	113	13⅝	13¼	13¼	
NY TimesA	0.56	34	1041	30⅝	30⅛	30⅝	+½
NthCanOil	0.18	41	12	9⅝	9⅝	9⅝	+⅛
Numac Oil		2	37	4⅛	d4⅛	4⅛	
NV Ryan		0	20	⅝	⅝	⅝	
Odetics A		39	20	5½	5½	5½	
Oilgear	0.24	34	76	31⅞	31½	31¾	-⅜
OMI Corp	0.14	7	76	6¾	6½	6⅝	
Pall Corp x	0.36	26	300	27⅛	26⅜	26⅜	-⅜
Pegasus G	0.10	31	62	11⅝	d11½	11⅝	
Perini		46	62	13⅛	13⅛	13⅛	-⅛
Pet H&P	0.31	9	12	11½	11⅛	11⅛	+⅛
Phil LD	0.25	15	354	37⅞	37	37⅞	+⅞
US Cellul		36	91	23	22¾	22⅞	
Vivigen		34	37	15⅛	14⅞	15	-⅞
WangLab C		1	8	5⅞	5⅞	5⅞	-⅛
WangLab B		1	3895	4⅛	3⅞	3⅞	-⅛
Weatherfd		22	754	4⅞	4⅛	4⅞	+⅛
Westamer	0.52	9	78	u21⅛	20⅞	21⅛	+½
WIRET	1.20	14	27	13	12⅞	12⅞	-⅛
Worthen		9	9	20⅝	20½	20⅝	
Xytronix		15	138	12	10⅝	11⅛	-⅞

NASDAQ NATIONAL MARKET

4:00 pm prices April 28

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	2423	24¾	23¾	24½	-⅛
Xoma Corp		7	3612	14⅛	13½	13½	-½
Yellow Fr	0.94	32	1180	31	30⅛	30½	-¼
York Rsch		41	1193	5	4⅝	5	+¼
ZionsUtah	1.44	10	50	52	50½	50½	

AMERICA

Economic data leave Dow little changed

Wall Street

A VARIETY of economic reports had little effect on US stock markets yesterday as investors concentrated on equity valuations and quarterly results, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average was finally just 3.36 up at 3,307.92, although after showing a midsession decline of 10 points. The more broadly based Standard & Poor's 500 finished 0.66 ahead at 409.11, but the Nasdaq composite index continued its slide, losing 6.61 at 560.33. Turnover on the New York SE came to 187m shares, while declines outpaced rises by 959 to 715.

Two sets of data provided fresh evidence of economic recovery. Gross domestic product in the first quarter rose 2 per cent, in line with expectations, although the details on personal consumption within the GDP numbers showed spending had risen much further than analysts had forecast during the first three months of the year.

The Conference Board's consumer confidence index showed a big rise to 64.8 per cent in April, but providing negative news was a larger than expected 14.8 per cent drop in March new home sales, which undermined hopes of a rebound in the housing market.

In spite of the weight of positive economic data, some analysts were concerned that the market had risen too high during the recent rally.

First-quarter corporate earnings continued to come in. General Motors firmed $1½ to $40¼ after reporting quarterly net income of $179m, against a loss of $144m at the same stage a year ago. The car maker's revenues in the quarter were up slightly to $32bn. GM's figures helped the other car stocks, Chrysler adding $¾ at $19 and Ford $¾ at $43¾.

RJR Nabisco firmed $⅛ to $9¼ in active trading after the tobacco and foods group announced a first-quarter loss of $15m, after a charge for the early repayment of debt. Without the charge, RJR's operating profit was $144m.

Pepsico rose $1 to $34¾ on news of first-quarter profits of 30 cents a share, up from 26 cents a year ago. Whirlpool fell $2¾ to $42½ in spite of reporting first-quarter profits of 50 cents a share, up from 35 cents in the first quarter of 1991.

Coleman advanced $1⅛ to $26½ in the wake of a big improvement in first quarter earnings, and a forecast from the company that second-quarter profits should come in substantially higher than at the same stage a year ago.

On the Nasdaq market, Microsoft fell $4¼ to $109 after the company said it was "comfortable" with analysts' estimates that it would make between $1 and $1.05 a share in the fiscal fourth quarter.

Borland International bounced back from Monday's selling, spurred by news of a quarterly loss, recovering $1½ to $46.

Canada

BANK SHARES led a late rally in Toronto blue chips, leaving the TSE composite index at the session's high. The broad market closed slightly weaker, with merchandising, gold and consumer products shares ending slightly lower.

Trade was slow due to investor caution ahead of the Ontario provincial Budget, due out late tomorrow.

The composite index closed 11.5 ahead at 3,337.9. Declines outnumbered advances by 297 to 253 after volume of 24.6m shares valued at C$252.89m.

Nova, which accounted for about 20 per cent of the market's volume, closed its issue of 42m shares to raise C$302m. It was up C$¼ at C$8⅛.

Tax changes raise Swedish hopes

Government initiatives are likely to attract more foreign investment, says Sara Webb

The Stockholm equity market is in an optimistic mood as the combination of proposed tax changes, the lifting of restrictions on foreign ownership, and an upturn in the US economy seem likely to attract further international investment in Swedish shares.

Foreigners have been eager buyers of Swedish equities – they snapped up a net SKr11.2bn ($1.9bn) last year – and the liberalisation of share ownership in Swedish companies could well increase their appetite for this corner of Europe. In the first quarter, foreigners have been net buyers of the country's shares worth SKr3.2bn, compared with SKr1.1bn in the year-ago period.

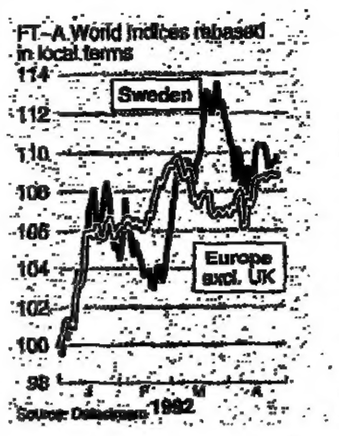
While the centre-right government's supplementary budget last Friday contained some grim economic forecasts – including expectation of a widening budget deficit in the 1992-93 tax year and a further 0.4 per cent fall in GNP in 1992 – it promised some welcome tax cuts for Swedish industry.

The government's plans to abolish taxes on electricity and fuel for industrial use is expected to benefit energy-intensive sectors such as forestry, chemicals and mining.

The market had been expecting the removal of the energy taxes for the last month, so the announcement did not have a noticeable effect on the stock market on Friday. However, it is expected to have significant long-term benefits.

One securities house estimates that the removal of the energy taxes could add as much as SKr500m to the combined profits of Sweden's three main forestry companies (Stora, SCA and MoDo), giving them a forecast combined profit of SKr3.5bn in 1993.

Other analysts point out, however, that while the removal of the energy taxes is good news for the forestry sector, it comes at a time when the industry is still suffering from the effects of global overcapacity.



Only last month, Mr Bo Berggren, chief executive of Stora, Sweden's largest forestry company, warned that 1992 would be another difficult year, crushing hopes of a speedy recovery in the sector. "Just removing the energy tax will not solve the forestry sector's problems," comments one broker.

Companies with mining interests are likely to enjoy a more obvious benefit from the lower energy costs. One such example is Electrolux, one of the world's leading white goods manufacturers which also owns Gränges, an aluminium producer.

Another company which will gain from the change is SSAB, the state-controlled steel concern which is selling some of its shares to the public this spring as part of the government's privatisation programme.

SSAB's shares are already listed in Stockholm, and have climbed 31 per cent since the start of the year, against the market's overall gain of 8 per cent. Brokers say SSAB's share price increased by 3 per cent last week, helped by leaks that the government would abolish the energy tax.

The government's decision to scrap a real estate tax, also formally announced in last Friday's supplementary budget but flagged well before, is expected to help the property sector and, indirectly, the banks, which have been burdened by heavy losses on loans to real estate companies.

Bank shares, which have dropped by 16 per cent since the start of 1992, showed a slight recovery during April.

"With the removal of the real estate tax, maybe the fall in property prices will stop," says one analyst, although he warns that any revival in the sector will probably take quite a long time.

Apart from those companies likely to benefit from the lifting of the real estate and energy taxes, buying interest has focused mainly on cyclical stocks, following signs of a recovery in the US economy.

Brokers note gains of 37 per cent in Volvo's share price, 20 per cent in the ball-bearing producer SKF, and 18 per cent in the specialty steel group Sandvik, since the start of the year. All of these companies have a high proportion of their sales outside Sweden, so the prospect of a recovery in the US is welcome news.

During Sweden's recession, many of the large companies were forced to drastically cut costs, leaving them leaner and more efficient – and more likely to perform strongly once the Swedish economy recovers.

EUROPE

Paris CAC-40 index closes above 2,000

PARIS bucked an easier continental trend as a series of suspensions enlivened trading, writes Our Markets Staff.

PARIS broke above 2,000 on the CAC-40 index after numerous attempts in the last week. Several stocks were suspended, pending announcements. The CAC-40 index ended up 10.90 at 2,006.62, its highest close since July 1990, in turnover of FFr2.1bn.

Paribas shot up FFr19.90 or 4.9 per cent to FFr419 as the suspension of Ciments Français fanned speculation that it was about to sell all or part of its stake in the cement company to Holderbank of Switzerland or Hanson of the UK. Holderbank denied the story and there was no comment from the other companies.

Analysts said that Paribas was likely to part with Ciments Français, held indirectly through Poliet, since it was under pressure to improve its earnings in 1992 after its poor results last year.

Schneider, its parent Spep, and its subsidiary Merlin Gerin were all suspended amid talk that the group's structure would be simplified through a series of share swaps.

Total rose FFr11.30 or 4.6 per cent to FFr258.70 on renewed optimism about its Colombian oil find while Elf added FFr6.90 to FFr364.

FRANKFURT weakened further as strike action widened. The DAX index shed 6.28 to 1,735.94 while the FAZ index, calculated at midsession, slipped 2.13 to 706.33. Turnover rose to DM5.4bn from DM4.4bn.

Hoechst, which reported a 26 per cent decline in first quarter group pre-tax profit, fell DM5 to DM257.30. The figures were worse than expected but the company expects a turnround in the next few months.

Other chemical stocks followed Hoechst lower with Basf shedding DM1.60 to DM248.30 and Bayer down 70 pfg at DM288.30.

Linotype-Hell was one of the day's most impressive gainers, advancing DM26.50 or 6.8 per cent to DM416, following a presentation on Monday at which the company gave a positive forecast for 1992.

MILAN failed to hold on to early gains as a poor fixing in Generali, down L110 to L30,000, prompted investors to take profits on industrial shares. The Comit index fell 0.85 to 507.58 in turnover estimated at near Monday's L88.8bn.

Pirelli officially closed L25 higher at 1,430 but dropped to L1,392 after hours. Fiat fell to L5,020 in late trading after being fixed L124 higher at L5,109. Benetton lost another L200 to L13,400.

Stet continued to drop on foreign selling, losing L45 or 2.1 per cent to L2,055. The company has denied rumours of a capital increase.

ZURICH fell in light trading after Monday's public holiday. The SMI index was 15.2 lower at 1,859.5.

Most of the decline was attributable to UBS and Alusuisse going ex-dividend. UBS bearers closed down SFr150 at SFr3,760 and Alusuisse bearers fell SFr46 to SFr936.

Sandoz shed SFr20 to SFr2,600 after announcing a 17 per cent increase in first quarter sales.

AMSTERDAM was little changed in lacklustre trading. The CBS Tendency index advanced 0.2 to 128.1 in turnover of Fl 623.7m.

Akzo was up Fl 1.50 at Fl 156.10 ahead of today's first quarter sales figures. Some analysts are forecasting positive 1992 earnings. DSM was Fl 1.50 stronger at Fl 112.70.

Elsevier gained Fl 1.80 to Fl 113.40 on foreign buying. KNP weakened Fl 1.50 or 3.1 per cent to Fl 46.70, although off the day's low of Fl 46, after the paper manufacturer said that earnings for the first six months of 1992 will be below the same period last year.

Amev was down 30 cents at Fl 53 after forecasting a difficult year ahead.

STOCKHOLM fell on profit-taking and interest rate worries. The Affärsvärlden General index eased 7.5 to 979.6 in moderate turnover of SKr496m after SKr784m.

The decline was led by Asea, with the B shares falling SKr5 to SKr364 and the A shares down SKr6 to SKr364.

BRUSSELS saw Delhaize fall another BFr320 or 3.4 per cent at BFr9,040. The Bel-20 index dropped 4.12 to 1,206.26.

MADRID's general index lost 0.76 to 249.17 in turnover of Pta11bn. Telefónica rose Pta15 to Pta1,055 with 2m shares traded.

ISTANBUL fell for the fourth consecutive day. The 75-share index declined 37.93 or 1.02 per cent to 3,679.95.

FT-SE Eurotrack 100 - Apr 28

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1172.72	1171.98	1171.97	1170.95	1170.59	1169.48	1169.46	1169.61

Day's High 1172.79 Day's Low 1168.44

Apr 27	Apr 24	Apr 23	Apr 22	Apr 21
1169.59	1167.02	1169.11	1171.34	1166.73

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG was driven higher by the financial rand which remained weak. The industrial index rose 25 to 4,252, while the gold index ended 11 up at 1,028. The overall index closed 19 higher at 3,404.

ASIA PACIFIC

Central bank support for yen helps to lift Nikkei

Tokyo

INVESTMENT trust buying and Bank of Japan intervention to support the yen lifted the Nikkei average in light pre-holiday trading yesterday, *writes Neil Weinberg in Tokyo.*

The 225-issue index ended 76.88 up at 17,527.40 after a day's low of 17,379.16 and high of 17,606.78. The Topix index of all first section shares rose 6.15 to 1,319.00 and advances outnumbered declines by 564 to 379, with 192 issues unchanged.

Volume picked up to 250m shares from Monday's meagre 200m. Tokyo is closed today for a public holiday. In London the ISE/Nikkei 50 index firmed 1.56 to 1,075.59.

The market improved late in the session on the central bank's moves to strengthen the yen after the weekend meeting of Group of Seven nations ended with calls for a stronger Japanese currency.

Investment trusts set up this week to funnel corporate funds back into the stock market also offered some support, although the amounts collected came in well below target. The trusts are among Finance Ministry measures to bolster the market and could lead to a lifting of the ban on corporate share repurchases.

Mr Jason Fames of James Capel Pacific said there was talk of a two-tier market emerging, in which leading electricals and other manufacturing issues continued to do well while bank shares languished.

"The question is whether industrial stocks can go up faster than others fall," he added. "Right now the market is at a balancing point, waiting for the economy to recover or the Bank of Japan to ease interest rates, but I do not think that is about to happen."

Speculative and incentive-backed issues fared well, with Morinaga Milk, the market volume leader, gaining Y20 to Y791 and Teac Y10 to Y1,030. NTT moved up Y8,000 to Y636,000 amid local reports that the minimum trading unit of Tokyo's most expensive issue might be reduced.

The yen's strength prompted investors to buy into blue chip issues, which have fared well in recent sessions. Sony put on Y20 to Y4,330 and Toyota Motor Y10 to Y1,460. The department stores sector continued to decline on weak earnings and sales prospects. Mitsukoshi fell Y19 to register a year's low of Y801.

Bank issues traded mixed amid further evidence that their recent rally had ended. Dai-Ichi Kangyo rose Y60 to Y1,380 while Mitsubishi Bank was off Y30 to Y1,770. Most other financials were lower, with Nikko Securities down Y21 at Y623 and Tokio Fire and Marine off Y3 at Y995.

Signs of continued weakness in the Japanese economy appeared after the market's close with the release of March industrial production figures. They showed a 2.8 per cent fall from February, compared to a forecast of a 0.9 per cent decline.

Roundup

THE PACIFIC Rim was mixed yesterday, with the spotlight remaining on Hong Kong. It has risen 11 per cent over the last eight sessions.

HONG KONG advanced strongly after news that Lloyds Bank, of the UK, was considering a bid against HSBC's agreed takeover of Midland Bank. HSBC climbed HK$1.25 to HK$42.75.

The Hang Seng index gained a net 51.62 at 5,423.39 after earlier attaining an all-time high of 5,442.90. Turnover reached HK$3.67bn, against HK$3.16bn.

SINGAPORE rose on bargain hunting. The Straits Times Industrial index finished 13.53 ahead at 1,426.64 in turnover of S$85.7m.

SEOUL retreated on profit-taking. The composite index closed 10.82 off at 597.24 in turnover of Won394.8bn. Manufacturing, securities, bank and construction stocks posted the biggest losses.

AUSTRALIA closed slightly higher before today's CPI figures for March. The All Ordinaries index rose 2.9 to 1,605.8 in turnover of A$179.2m. Forecasts for annual inflation range between 1.9 to 2.3 per cent and analysts expect a cut in interest rates later this week.

NEW ZEALAND lost ground, the NZSE-40 index slipping 6.82 to 1,447.15.

BOMBAY plummeted on speculative selling as trading resumed after a week-long boycott by traders. The BSE index lost 570.42, or 12.8 per cent, to 3,896.90.

TAIWAN advanced in active trade, the weighted index adding 37.50 at 4,523.95 in turnover of T$24.3bn.

MANILA moved ahead, led by a strong performance by Philippine Long Distance Telephone. The composite index rose 20.61 to 1,211.48 in combined turnover of 190.29m pesos. PLDT climbed 25 pesos to 930 pesos.

KUALA LUMPUR was featureless. The composite index regained 2.60 to 583.62 in turnover of M$62.9m. BANGKOK's SET index fell 6.41 to 768.11.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 28 1992								MONDAY APRIL 27 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	145.23	+0.2	121.30	122.33	125.00	127.79	+0.2	4.32	144.94	120.75	121.94	124.41	127.54	153.68	140.94	145.14
Austria (19)	165.26	−0.3	138.04	139.20	142.24	142.17	−0.1	2.04	165.73	138.08	139.44	142.26	142.27	186.70	162.62	202.81
Belgium (46)	138.80	−0.4	115.93	116.90	119.46	116.55	−0.3	5.22	139.36	116.10	117.24	119.61	116.84	145.19	135.87	136.82
Canada (115)	125.69	+0.1	104.98	105.86	108.17	108.80	+0.2	3.38	125.60	104.65	105.67	107.80	108.64	142.12	125.60	137.74
Denmark (35)	229.67	−1.4	191.84	193.45	197.68	200.07	−1.1	1.85	232.97	194.10	196.01	199.97	202.23	273.94	226.81	232.36
Finland (15)	77.08	−0.8	64.38	64.92	66.34	72.93	−0.3	2.05	77.67	64.71	65.35	66.67	73.18	89.80	73.64	112.97
France (106)	158.60	+0.2	132.47	133.58	136.49	138.88	+0.5	3.38	158.23	131.83	133.11	135.80	138.18	159.16	146.06	135.24
Germany (65)	118.24	−0.6	98.76	99.61	101.77	101.77	−0.3	2.26	118.92	99.08	100.07	102.07	102.07	122.84	114.67	110.39
Hong Kong (55)	224.67	+0.8	187.66	189.24	193.38	223.53	+1.0	3.64	222.78	185.61	187.43	191.23	221.32	224.67	176.36	147.99
Ireland (16)	163.14	+0.3	136.26	137.41	140.41	142.51	+0.6	3.71	162.60	135.47	136.60	139.56	141,73	173.71	151.78	158.29
Italy (78)	71.48	−0.6	59.70	60.20	61.52	66.45	−0.3	3.46	71.92	59.92	60.51	61.73	66.63	80.86	68.92	77.16
Japan (473)	97.75	+0.4	81.65	82.34	84.15	82.34	+0.5	1.04	97.37	81.13	81.92	83.59	81.92	140.95	88.70	140.21
Malaysia (68)	236.37	+0.5	197.43	199.08	203.43	230.77	+0.1	2.79	235.17	195.93	197.85	201.85	230.51	250.18	212.49	232.89
Mexico (16)	1687.93	−1.0	1409.87	1421.74	1452.79	5683.21	−0.9	1.03	1705.72	1421.12	1435.10	1464.11	5733.79	1789.77	1376.91	900.90
Netherland (25)	154.96	+0.3	129.43	130.52	133.38	131.76	+0.7	4.24	154.48	128.69	129.95	132.58	130.91	156.48	147.88	140.92
New Zealand (14)	43.80	−0.2	36.59	36.90	37.70	43.23	−0.8	6.37	43.89	36.57	36.93	37.68	43.56	48.52	42.01	48.49
Norway (23)	171.64	−1.1	143.37	144.58	147.74	150.62	−0.8	1.70	173.47	144.53	145.95	148.90	151.81	192.95	161.26	187.17
Singapore (38)	207.19	+0.9	173.06	174.52	178.33	157.97	+1.0	2.06	205.33	171.07	172.76	176.25	156.41	228.43	192.76	203.70
South Africa (61)	223.83	+0.5	186.96	188.53	192.65	170.18	+0.3	2.86	222.69	185.54	187.36	191.14	169.60	263.80	203.16	203.71
Spain (50)	148.33	−0.2	123.89	124.94	127.66	116.84	−0.2	5.19	148.64	123.84	125.06	127.58	116.83	160.47	146.86	154.73
Sweden (25)	183.31	−0.9	153.11	154.41	157.78	162.15	−0.6	2.79	185.02	154.15	155.67	158.81	163.17	190.37	173.09	176.12
Switzerland (59)	99.38	+0.1	83.01	83.71	85.54	93.46	−0.7	2.29	99.27	82.70	83.52	85.22	94.13	104.22	95.99	93.49
United Kingdom (228)	189.01	−0.6	157.87	159.19	162.66	157.87	−0.3	4.70	190.06	158.35	159.89	163.12	158.35	190.06	165.85	172.23
USA (522)	166.64	+0.1	139.19	140.36	143.43	166.64	+0.1	2.97	166.46	138.69	140.06	142.89	166.46	171.66	160.92	152.11
Europe (790)	148.88	−0.4	124.35	125.40	128.14	127.11	−0.2	3.86	149.41	124.48	125.70	128.25	127.32	150.58	139.31	138.54
Nordic (98)	171.55	−1.1	143.29	144.50	147.65	145.33	−0.8	2.23	173.55	144.59	146.01	148.96	146.55	188.52	169.66	173.27
Pacific Basin (717)	103.69	+0.4	86.61	87.34	89.24	87.88	+0.5	1.43	103.26	86.03	86.88	88.84	87.43	141.97	94.40	140.37
Euro – Pacific (1507)	121.96	+0.0	101.87	102.72	104.97	104.07	+0.2	2.62	121.92	101.57	102.57	104.64	103.88	145.21	113.80	139.96
North America (637)	164.07	+0.1	137.04	138.21	141.24	162.70	+0.1	2.99	163.90	136.55	137.91	140.71	162.53	169.69	158.70	151.14
Europe Ex. UK (562)	125.02	−0.2	104.42	105.32	107.63	109.35	−0.1	3.23	125.27	104.37	105.42	107.55	109.42	129.79	121.61	118.12
Pacific Ex. Japan (244)	162.13	+0.5	135.42	136.58	139.56	144.84	+0.5	3.77	161.27	134.36	135.71	138.44	143.88	162.13	149.00	141.23
World Ex. US (1701)	124.24	+0.0	103.78	104.66	106.94	106.25	+0.2	2.63	124.20	103.47	104.50	106.61	106.07	146.91	116.45	140.97
World Ex. UK (1995)	132.76	+0.1	110.89	111.83	114.27	121.53	+0.2	2.52	132.56	110.45	111.54	113.80	121.28	150.58	127.21	140.88
World Ex. So. Af. (2162)	137.05	+0.1	114.47	115.45	117.97	124.51	+0.1	2.77	136.97	114.12	115.25	117.58	124.34	153.05	130.04	143.28
World Ex. Japan (1750)	159.88	+0.0	133.54	134.68	137.63	149.39	+0.0	3.33	159.95	133.26	134.58	137.31	149.35	161.90	153.20	146.87
The World Index (2223)	137.60	+0.1	114.94	115.91	118.44	124.92	+0.1	2.77	137.52	114.57	115.70	118.05	124.74	153.70	130.66	143.66